



House of Representatives

File No. 583

General Assembly

February Session, 2002

(Reprint of File No. 62)

Substitute House Bill No. 5316
As Amended by House Amendment
Schedules "A" and "B"

Approved by the Legislative Commissioner
April 26, 2002

AN ACT CONCERNING CREDIT UNION MODERNIZATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-2 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2002*):

3 As used in this title, unless the context otherwise requires:

4 (1) "Affiliate" of a person means any person controlling, controlled
5 by, or under common control with, that person;

6 (2) "Applicant" with respect to any license or approval provision
7 pursuant to this title means a person who applies for that license or
8 approval;

9 (3) "Automated teller machine" means a stationary or mobile
10 unattended device, including a satellite device but excluding a point of
11 sale terminal, at which banking transactions, including, but not limited
12 to, deposits, withdrawals, advances, payments or transfers, may be
13 conducted;

- 14 (4) "Bank" means a Connecticut bank or a federal bank;
- 15 (5) "Bank and trust company" means an institution chartered or
16 organized under the laws of this state as a bank and trust company;
- 17 (6) "Bank holding company" has the meaning given to that term in
18 12 USC Section 1841(a), as from time to time amended, except that the
19 term "bank", as used in 12 USC Section 1841(a) includes a bank or out-
20 of-state bank that functions solely in a trust or fiduciary capacity;
- 21 (7) "Capital stock" when used in conjunction with any bank or out-
22 of-state bank means a bank or out-of-state bank that is authorized to
23 accumulate funds through the issuance of its capital stock;
- 24 (8) "Club deposit" means deposits to be received at regular intervals,
25 the whole amount deposited to be withdrawn by the owner or repaid
26 by the bank in not more than fifteen months from the date of the first
27 deposit, and upon which no interest or dividends need to be paid;
- 28 (9) "Commissioner" means the Commissioner of Banking and, with
29 respect to any function of the commissioner, includes any person
30 authorized or designated by the commissioner to carry out that
31 function;
- 32 (10) "Company" means any corporation, joint stock company, trust,
33 association, partnership, limited partnership, unincorporated
34 organization, limited liability company or similar organization, but
35 does not include (A) any corporation the majority of the shares of
36 which are owned by the United States or by any state, or (B) any trust
37 which by its terms must terminate within twenty-five years or not later
38 than twenty-one years and ten months after the death of beneficiaries
39 living on the effective date of the trust;
- 40 (11) "Connecticut bank" means a bank and trust company, savings
41 bank or savings and loan association chartered or organized under the
42 laws of this state;
- 43 (12) "Connecticut credit union" means a cooperative, nonprofit

44 [association, the membership of which is limited as provided in section
45 36a-438 which is incorporated without capital stock under the laws of
46 this state and licensed] financial institution that (A) is organized under
47 chapter 667 [for the purposes of encouraging thrift among its
48 members, creating a source of credit at a fair and reasonable rate of
49 interest and providing an opportunity for its members to use and
50 control their own money to improve their economic and social
51 condition] and the membership of which is limited as provided in
52 section 39 of this act, (B) operates for the benefit and general welfare of
53 its members with the earnings, benefits or services offered being
54 distributed to or retained for its members, and (C) is governed by a
55 volunteer board of directors elected by and from its membership;

56 (13) "Connecticut credit union service organization" means a credit
57 union service organization that is incorporated under the laws of this
58 state, located in this state and established by at least one Connecticut
59 credit union;

60 ~~[(13)]~~ (14) "Consolidation" means a combination of two or more
61 institutions into a new institution; all institutions party to the
62 consolidation, other than the new institution, are "constituent"
63 institutions; the new institution is the "resulting" institution;

64 ~~[(14)]~~ (15) "Control" has the meaning given to that term in 12 USC
65 Section 1841(a), as from time to time amended;

66 (16) "Credit union service organization" means an entity organized
67 under state or federal law to provide credit union service organization
68 services primarily to its members, to Connecticut credit unions, federal
69 credit unions and out-of-state credit unions other than its members,
70 and to members of any such other credit unions;

71 ~~[(15)]~~ (17) "Customer" means any person using a service offered by a
72 financial institution;

73 ~~[(16)]~~ (18) "Demand account" means an account into which demand
74 deposits may be made;

75 [(17)] (19) "Demand deposit" means a deposit that is payable on
76 demand, a deposit issued with an original maturity or required notice
77 period of less than seven days or a deposit representing funds for
78 which the bank does not reserve the right to require at least seven
79 days' written notice of the intended withdrawal, but does not include
80 any time deposit;

81 [(18)] (20) "Deposit" means funds deposited with a depository;

82 [(19)] (21) "Deposit account" means an account into which deposits
83 may be made;

84 [(20)] (22) "Depositor" includes a member of a mutual savings and
85 loan association;

86 [(21)] (23) "Director" means a member of the governing board of a
87 financial institution;

88 [(22)] (24) "Equity capital" means the excess of a Connecticut bank's
89 total assets over its total liabilities, as defined in the instructions of the
90 federal Financial Institutions Examination Council for consolidated
91 reports of condition and income;

92 [(23)] (25) "Executive officer" means every officer of a Connecticut
93 bank who participates or has authority to participate, otherwise than in
94 the capacity of a director, in major policy-making functions of such
95 bank, regardless of whether such officer has an official title or whether
96 that title contains a designation of assistant and regardless of whether
97 such officer is serving without salary or other compensation. The
98 president, vice president, secretary and treasurer of such bank are
99 deemed to be executive officers, unless, by resolution of the governing
100 board or by such bank's bylaws, any such officer is excluded from
101 participation in major policy-making functions, otherwise than in the
102 capacity of a director of such bank, and such officer does not actually
103 participate in such policy-making functions;

104 [(24)] (26) "Federal agency" has the meaning given to that term in 12

105 USC Section 3101, as from time to time amended;

106 [(25)] (27) "Federal bank" means a national banking association,
107 federal savings bank or federal savings and loan association having its
108 principal office in this state;

109 [(26)] (28) "Federal branch" has the meaning given to that term in 12
110 USC Section 3101, as from time to time amended;

111 [(27)] (29) "Federal credit union" means any institution chartered or
112 organized as a federal credit union pursuant to the laws of the United
113 States having its principal office in this state;

114 [(28)] (30) "Fiduciary" means a person undertaking to act alone or
115 jointly with others primarily for the benefit of another or others in all
116 matters connected with its undertaking and includes a person acting in
117 the capacity of trustee, executor, administrator, guardian, assignee,
118 receiver, conservator, agent, custodian under the Connecticut Uniform
119 Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting
120 in any other similar capacity;

121 [(29)] (31) "Financial institution" means any Connecticut bank,
122 Connecticut credit union, or other person whose activities in this state
123 are subject to the supervision of the commissioner, but does not
124 include a person whose activities are subject to the supervision of the
125 commissioner solely pursuant to chapter 672a, 672b or 672c or any
126 combination thereof;

127 [(30)] (32) "Foreign bank" has the meaning given to that term in 12
128 USC Section 3101, as from time to time amended;

129 [(31)] (33) "Foreign country" means any country other than the
130 United States and includes any colony, dependency or possession of
131 any such country;

132 [(32)] (34) "Governing board" means the group of persons vested
133 with the management of the affairs of a financial institution
134 irrespective of the name by which such group is designated;

135 [(33)] (35) "Holding company" means a bank holding company or a
136 savings and loan holding company, except, as used in sections 36a-180
137 to 36a-191, inclusive, "holding company" means a company that
138 controls a bank;

139 [(34)] (36) "Insured depository institution" has the meaning given to
140 that term in 12 USC Section 1813, as from time to time amended;

141 [(35)] (37) "Licensee" means any person who is licensed or required
142 to be licensed pursuant to the applicable provisions of this title;

143 [(36)] (38) "Loan" includes any line of credit or other extension of
144 credit;

145 [(37)] (39) "Merger" means the combination of one or more
146 institutions with another which continues its corporate existence; all
147 institutions party to the merger are "constituent" institutions; the
148 merging institution which upon the merger continues its existence is
149 the "resulting" institution;

150 [(38)] (40) "Mutual" when used in conjunction with any institution
151 that is a bank or out-of-state bank means any such institution without
152 capital stock;

153 [(39)] (41) "Mutual holding company" means any mutual savings
154 bank or mutual savings and loan association reorganized or any
155 nonstock corporation formed in connection with a reorganization
156 pursuant to sections 36a-192 to 36a-199, inclusive, to hold a majority of
157 the ordinary voting shares of a reorganized savings institution;

158 [(40)] (42) "Out-of-state" includes any state other than Connecticut
159 and any foreign country;

160 [(41)] (43) "Out-of-state bank" means any institution that engages in
161 the business of banking, but does not include a bank, Connecticut
162 credit union, federal credit union or out-of-state credit union;

163 [(42)] (44) "Out-of-state credit union" means any credit union other

164 than a Connecticut credit union or a federal credit union;

165 [(43)] (45) "Out-of-state trust company" means any company
166 chartered to act as a fiduciary but does not include a company
167 chartered under the laws of this state, a bank, an out-of-state bank, a
168 Connecticut credit union, a federal credit union or an out-of-state
169 credit union;

170 [(44)] (46) "Person" means an individual, company, including a
171 company described in subparagraphs (A) and (B) of subdivision (10) of
172 this section, or any other legal entity, including a federal, state or
173 municipal government or agency or any political subdivision thereof;

174 [(45)] (47) "Point of sale terminal" means a device located in a
175 commercial establishment at which sales transactions can be charged
176 directly to the buyer's deposit, loan or credit account, but at which
177 deposit transactions cannot be conducted;

178 [(46)] (48) "Reorganized savings bank" means any savings bank
179 incorporated and organized in accordance with sections 36a-192 and
180 36a-193 a majority of the ordinary voting shares of which is owned by
181 a mutual holding company;

182 [(47)] (49) "Reorganized savings and loan association" means any
183 savings and loan association incorporated and organized in
184 accordance with sections 36a-192 and 36a-193 a majority of the
185 ordinary voting shares of which is owned by a mutual holding
186 company;

187 [(48)] (50) "Reorganized savings institution" means any reorganized
188 savings bank or reorganized savings and loan association;

189 [(49)] (51) "Representative office" has the meaning given to that term
190 in 12 USC Section 3101, as from time to time amended;

191 [(50)] (52) "Reserves for loan and lease losses" means the amounts
192 reserved by a Connecticut bank against possible loan and lease losses
193 as shown on the bank's consolidated reports of condition and income;

194 [(51)] (53) "Satellite device" means an automated teller machine
195 which is not part of an office of the bank, Connecticut credit union or
196 federal credit union which has established such machine;

197 [(52)] (54) "Savings account" means a deposit account, other than an
198 escrow account established pursuant to section 49-2a, into which
199 savings deposits may be made and which account must be evidenced
200 by periodic statements delivered at least semiannually or by a
201 passbook;

202 [(53)] (55) "Savings and loan association" means an institution
203 chartered or organized under the laws of this state as a savings and
204 loan association;

205 [(54)] (56) "Savings bank" means an institution chartered or
206 organized under the laws of this state as a savings bank;

207 [(55)] (57) "Savings deposit" means any deposit other than a demand
208 deposit or time deposit on which interest or a dividend is paid
209 periodically;

210 [(56)] (58) "Savings and loan holding company" has the meaning
211 given to that term in 12 USC Section 1467a, as from time to time
212 amended;

213 [(57)] (59) "State" means any state of the United States, the District of
214 Columbia, any territory of the United States, Puerto Rico, Guam,
215 American Samoa, the trust territory of the Pacific Islands, the Virgin
216 Islands and the Northern Mariana Islands;

217 [(58)] (60) "State agency" has the meaning given to that term in 12
218 USC Section 3101, as from time to time amended;

219 [(59)] (61) "State branch" has the meaning given to that term in 12
220 USC Section 3101, as from time to time amended;

221 [(60)] (62) "Subsidiary" has the meaning given to that term in 12
222 USC Section 1841(d), as from time to time amended;

223 [(61)] (63) "Supervisory agency" means: (A) The commissioner; (B)
224 the Federal Deposit Insurance Corporation; (C) the Resolution Trust
225 Corporation; (D) the Office of Thrift Supervision; (E) the National
226 Credit Union Administration; (F) the Board of Governors of the
227 Federal Reserve System; (G) the United States Comptroller of the
228 Currency; and (H) any successor to any of the foregoing agencies or
229 individuals;

230 [(62)] (64) "Time account" means an account into which time
231 deposits may be made; and

232 [(63)] (65) "Time deposit" means a deposit that the depositor or
233 share account holder does not have a right and is not permitted to
234 make withdrawals from within six days after the date of deposit,
235 unless the deposit is subject to an early withdrawal penalty of at least
236 seven days' simple interest on amounts withdrawn within the first six
237 days after deposit, subject to those exceptions permissible under [Title
238 12, Part 204 of the Code of Federal Regulations] 12 CFR Part 204, as
239 from time to time amended.

240 Sec. 2. Section 36a-3 of the general statutes, as amended by section 1
241 of public 01-9, section 1 of public act 01-34, section 1 of public act 01-56
242 and section 1 of public act 01-76, is repealed and the following is
243 substituted in lieu thereof (*Effective October 1, 2002*):

244 Other definitions applying to this title or to specified parts thereof
245 and the sections in which they appear are:

- T1 "Account". Sections 36a-155 and 36a-365.
- T2 "Additional proceeds". Section 7 of [this act] public act 01-34.
- T3 "Advance fee". Sections 36a-510, 36a-485 and 36a-615.
- T4 "Advertise" or "advertisement". Sections 36a-485 and 36a-510.
- T5 "Agency bank". Section 36a-285.
- T6 "Alternative mortgage loan". Section 36a-265.
- T7 "Amount financed". Section 36a-690.
- T8 "Annual percentage rate". Section 36a-690.

- T9 "Annual percentage yield". Section 36a-316, as amended.
- T10 "Annuities". Section 52 of this act.
- T11 "Applicant". Section 36a-736.
- T12 "APR". Section 3 of [this act] public act 01-34.
- T13 "Assessment area". Section 2 of [this act] public act 01-9.
- T14 "Associate". Section 36a-184.
- T15 "Associated member". Section 59 of this act.
- T16 "Bank". Section 36a-30.
- T17 "Bankers' bank". Section 36a-70, as amended.
- T18 "Banking business". Section 36a-425, as amended.
- T19 "Basic services". Section 38 of this act.
- T20 "Billing cycle". Section 36a-565.
- T21 "Bona fide nonprofit organization". Section 36a-655.
- T22 "Branch". Sections 36a-145, as amended, [and] 36a-410, and 35 of this
- T23 act.
- T24 "Branch or agency net payment entitlement". Section 36a-428n, as
- T25 amended.
- T26 "Branch or agency net payment obligation". Section 36a-428n, as
- T27 amended.
- T28 "Broker". Section 36a-510 and section 3 of [this act] public act 01-34.
- T29 "Business and industrial development corporation". Section 36a-626.
- T30 "Business and property in this state". Section 36a-428n, as amended.
- T31 "Capital". Section 35 of this act.
- T32 "Cash advance". Section 36a-564.
- T33 "Cash price". Section 36a-770, as amended.
- T34 "Certificate of incorporation". Section 35 of this act.
- T35 ["Certificate of organization". Section 36a-435.]
- T36 "Closely related activities". [Section] Sections 36a-250 and 52 of this
- T37 act.
- T37 "Collective managing agency account". Section 36a-365.
- T38 "Commercial vehicle". Section 36a-770, as amended.
- T39 "Community bank". Section 36a-70, as amended.
- T40 "Community credit union". Section 2 of [this act] public act 01-9, as
- T41 amended by this act.
- T42 "Community development bank". Section 36a-70, as amended.

- T43 "Community reinvestment performance". Section 2 of [this act]
T44 public act 01-9, as amended by this act.
- T45 "Connecticut holding company". Section 36a-410.
- T46 "Construction loan". Section 59 of this act.
- T47 "Consumer". Sections 36a-155, 36a-676 and 36a-695.
- T48 "Consumer Credit Protection Act". Section 36a-676.
- T49 "Consumer debtor" and "debtor". Sections 36a-645 and 36a-800, as
T50 amended.
- T51 "Consumer collection agency". Section 36a-800, as amended.
- T52 "Consummation". Section 3 of [this act] public act 01-34.
- T53 "Controlling interest". Section 36a-276.
- T54 "Corporate". Section 35 of this act.
- T55 "Credit". Sections 36a-645 and 36a-676.
- T56 "Credit manager". Section 35 of this act.
- T57 "Creditor". Sections 36a-676, 36a-695 and 36a-800, as amended.
- T58 "Credit card", "cardholder" and "card issuer". Section 36a-676.
- T59 "Credit clinic". Section 36a-695.
- T60 "Credit rating agency". Section 36a-695.
- T61 "Credit report". Section 36a-695.
- T62 "Credit sale". Section 36a-676.
- T63 "Credit union service organization". Section 35 of this act.
- T64 "Credit union service organization services". Section 35 of this act.
- T65 "De novo branch". Section 36a-410.
- T66 "Debt". Section 36a-645.
- T67 "Debt adjustment". Section 36a-655.
- T68 "Debt mutual fund". [Section] Sections 36a-275 and 60 of this act.
- T69 "Debt securities". [Section] Sections 36a-275 and 60 of this act.
- T70 "Deliver". Section 36a-316, as amended.
- T71 "Deposit". Section 36a-316, as amended.
- T72 "Deposit account". Sections 36a-136 and 36a-316, as amended.
- T73 "Deposit account charge". Section 36a-316, as amended.
- T74 "Deposit account disclosures". Section 36a-316, as amended.
- T75 "Deposit contract". Section 36a-316, as amended.
- T76 "Deposit services". Section 36a-425, as amended.
- T77 "Depositor". Section 36a-316, as amended.

T78	<u>"Director". Section 35 of this act.</u>
T79	<u>"Earning period". Section 36a-316, as amended.</u>
T80	<u>"Electronic payment instrument". Section 36a-596, as amended.</u>
T81	"Eligible account holder". Section 36a-136.
T82	"Eligible collateral". Section 36a-330.
T83	"Equity mutual fund". [Section] <u>Sections 36a-276 and 60 of this act.</u>
T84	<u>"Equity security". Sections 36a-276 and 60 of this act.</u>
T85	<u>"Federal Credit Union Act". Section 35 of this act.</u>
T86	"Federal Home Mortgage Disclosure Act". Section 36a-736.
T87	"Fiduciary". Section 36a-365.
T88	<u>"Filing fee". Section 36a-770, as amended.</u>
T89	<u>"Finance charge". Sections 36a-690 and 36a-770, as amended.</u>
T90	<u>"Financial institution". Sections 36a-41, as amended, 36a-155, 36a-</u>
T91	<u>316, as amended, 36a-330, 36a-736, section 35 of this act and section 3 of</u> <u>[this act] public act 01-76.</u>
T92	<u>"Financial records". Section 36a-41, as amended.</u>
T93	"First mortgage loan". Sections 36a-485, 36a-705 and 36a-715.
T94	<u>["Fiscal year". Section 36a-435.]</u>
T95	<u>"Foreign banking corporation". Section 36a-425, as amended.</u>
T96	"General facility". Section 36a-580.
T97	<u>"Global net payment entitlement". Section 36a-428n, as amended.</u>
T98	<u>"Global net payment obligation". Section 36a-428n, as amended.</u>
T99	<u>"Goods". Sections 36a-535 and 36a-770, as amended.</u>
T100	"Graduated payment mortgage loan". Section 36a-265.
T101	"Guardian". Section 36a-365.
T102	"High cost home loan". Section 3 of [this act] <u>public act 01-34.</u>
T103	<u>"Holder". Section 36a-596, as amended.</u>
T104	"Home banking services". Section 36a-170.
T105	"Home banking terminal". Section 36a-170.
T106	"Home improvement loan". Section 36a-736.
T107	"Home purchase loan". Section 36a-736.
T108	"Home state". Section 36a-410.
T109	<u>"Immediate family member". Section [36a-435] 35 of this act.</u>
T110	<u>"Insider". Section 51 of this act.</u>
T111	<u>"Installment loan contract". Sections 36a-535 and 36a-770, as</u>

- T112 amended.
- T113 "Insurance". Section 52 of this act.
- T114 "Insurance bank". Section 36a-285.
- T115 "Insurance department". Section 36a-285.
- T116 "Interest". Section 36a-316, as amended.
- T117 "Interest rate". Section 36a-316, as amended.
- T118 "Lender". Sections 36a-510, 36a-770, as amended, and section 3 of
- T119 [this act] public act 01-34.
- T120 "Lessor". Section 36a-676.
- T121 "License". Section 36a-626.
- T122 "Licensee". Sections 36a-510, 36a-596, as amended, and 36a-626.
- T123 "Limited branch". Section 36a-145, as amended.
- T124 "Limited facility". Section 36a-580.
- T125 "Loan broker". Section 36a-615.
- T126 "Loss". Section 36a-330.
- T127 "Made in this state". Section 36a-770, as amended.
- T128 "Managing agent". Section 36a-365.
- T129 "Manufactured home". Section 58 of this act.
- T130 "Material litigation". Section 36a-596, as amended.
- T131 "Member". Section [36a-435] 35 of this act.
- T132 "Member business loan". Section 59 of this act.
- T133 "Member in good standing". Section 35 of this act.
- T134 "Membership share". Section [36a-435] 35 of this act.
- T135 "Money order". Section 36a-596, as amended.
- T136 "Money transmission". Section 36a-365.
- T137 "Mortgage broker". Section 36a-485.
- T138 "Mortgage insurance". Section 36a-725.
- T139 "Mortgage lender". Sections 36a-485 and 36a-705.
- T140 "Mortgage loan". Sections 36a-261 and 36a-265, and section 58 of this
- T141 act.
- T142 "Mortgage rate lock-in". Section 36a-705.
- T143 "Mortgage servicing company". Section 36a-715.
- T144 "Mortgagor". Section 36a-715.
- T145 "Motor vehicle". Section 36a-770, as amended.
- T146 "Multiple common bond membership". Section [36a-435] 35 of this

- T147 act.
- T148 "Municipality". Section 36a-800, as amended.
- T149 "Net outstanding member business loan balance". Section 59 of this
- T150 act.
- T151 "Net worth". Section 36a-596, as amended, and sections 43 and 59 of
- T152 this act.
- T153 "Network". Section 36a-155.
- T154 "Note account". Sections 36a-301 and [36a-445] 55 of this act.
- T155 "Office". Section 36a-316, as amended.
- T156 "Officer". Section 35 of this act.
- T157 "Open-end credit plan". Section 36a-676.
- T158 "Open-end loan". Section 36a-565.
- T159 "Organization". Section 36a-800, as amended.
- T160 "Out-of-state holding company". Section 36a-410.
- T161 "Outstanding". Section 36a-596, as amended.
- T162 "Passbook savings account". Section 36a-316, as amended.
- T163 "Payment instrument". Section 36a-596, as amended.
- T164 "Periodic statement". Section 36a-316, as amended.
- T165 "Permissible investment". Section 36a-596, as amended.
- T166 "Person". Section 36a-184.
- T167 "Post". Section 36a-316, as amended.
- T168 "Prepaid finance charge". Section 3 of [this act] public act 01-34.
- T169 "Prepayment penalty". Section 3 of [this act] public act 01-34.
- T170 "Prime quality". Section 36a-596, as amended.
- T171 "Principal amount of the loan". Section 36a-510.
- T172 "Principal officer". Section 36a-485.
- T173 "Processor". Section 36a-155.
- T174 "Public deposit". Section 36a-330.
- T175 "Purchaser". Section 36a-596, as amended.
- T176 "Qualified financial contract". Section 36a-428n, as amended.
- T177 "Qualified public depository" and "depository". Section 36a-330.
- T178 "Real estate". Section 58 of this act.
- T179 "Records". Section 36a-17, as amended by this act.
- T180 "Relocate". Section 36a-145, as amended and section 63 of this act.
- T181 "Residential property". Section 36a-485.

- T182 "Retail buyer". Sections 36a-535 and 36a-770, as amended.
- T183 "Retail credit transaction". Section 42-100b.
- T184 "Retail deposits". Section 36a-70, as amended.
- T185 "Retail installment contract". Sections 36a-535 and 36a-770, as
- T186 amended.
- T187 "Retail installment sale". Sections 36a-535 and 36a-770, as amended.
- T188 "Retail seller". Sections 36a-535 and 36a-770, as amended.
- T189 "Reverse annuity mortgage loan". Section 36a-265.
- T190 "Sales finance company". Sections 36a-535 and 36a-770, as amended.
- T191 "Savings department". Section 36a-285.
- T192 "Savings deposit". Section 36a-316, as amended.
- T193 "Secondary mortgage loan". Section 36a-510.
- T194 "Security convertible into a voting security". Section 36a-184.
- T195 "Senior management". Section 35 of this act.
- T196 "Share". Section [36a-435] 35 of this act.
- T197 "Simulated check". Sections 36a-485 and 36a-510.
- T198 "Single common bond membership". Section [36a-435] 35 of this act.
- T199 "Social purpose investment". Section 36a-277.
- T200 "Standard mortgage loan". Section 36a-265.
- T201 "Tax and loan account". Sections 36a-301 and [36a-445] 55 of this act.
- T202 "The Savings Bank Life Insurance Company". Section 36a-285.
- T203 "Time account". Section 36a-316, as amended.
- T204 "Transaction". Section 36a-215, as amended.
- T205 "Travelers check". Section 36a-596, as amended.
- T206 "Troubled Connecticut credit union". Section 45 of this act.
- T207 "Troubled financial institution". Section 36a-215, as amended.
- T208 "Uninsured bank". Section 36a-70, as amended.
- T209 "Unsecured loan". Section 36a-615.

246 Sec. 3. Section 36a-17 of the general statutes is repealed and the
247 following is substituted in lieu thereof (*Effective October 1, 2002*):

248 (a) The commissioner, in the commissioner's discretion, may make
249 such public or private investigations or examinations within or outside
250 this state, concerning any person subject to the jurisdiction of the

251 commissioner, as the commissioner deems necessary to carry out the
252 duties of the commissioner.

253 (b) Any Connecticut bank, Connecticut credit union or Connecticut
254 credit union service organization which causes or has caused any
255 electronic data processing services to be performed for such
256 [Connecticut] bank, credit union or credit union service organization
257 either on or off its premises by an electronic data processing servicer
258 shall enter into a written contract with such servicer. Such contract
259 shall specify the duties and responsibilities of the [Connecticut] bank,
260 credit union or credit union service organization and such servicer and
261 provide that such servicer shall allow the commissioner to examine
262 such servicer's books, records and computer systems in accordance
263 with this subsection, if required by the commissioner. The Connecticut
264 bank, Connecticut credit union or Connecticut credit union service
265 organization shall promptly send a copy of such contract to the
266 commissioner. The commissioner may examine the books, records and
267 computer systems of any electronic data processing servicer that
268 performs electronic data processing services for a Connecticut bank,
269 Connecticut credit union or Connecticut credit union service
270 organization, if such services substantially impact the operations of the
271 Connecticut bank, Connecticut credit union or Connecticut credit
272 union service organization as determined by the commissioner, in
273 order to (1) determine whether such servicer has the capacity to protect
274 the [Connecticut bank's] customer information of such bank, credit
275 union or credit union service organization, and (2) assess such
276 servicer's potential for continued service. The commissioner may
277 assess a fee of one hundred fifty dollars per day plus costs for each
278 examiner who conducts such examination, the total cost of which the
279 commissioner may allocate on a pro rata basis to all Connecticut banks,
280 Connecticut credit unions and Connecticut credit union service
281 organizations under contract with such servicer.

282 (c) For the purpose of any investigation, examination or proceeding
283 under this title the commissioner may administer oaths and
284 affirmations, subpoena witnesses, compel attendance of witnesses,

285 take evidence, require written statements and require the production
286 of any records which the commissioner deems relevant or material.
287 The commissioner may require that certified copies of any such
288 records be provided to the commissioner at the commissioner's office.

289 (d) Any person who is the subject of any such investigation,
290 examination or proceeding shall make its records available to the
291 commissioner in readable form; provide personnel and equipment
292 necessary, including, but not limited to, assistance in the analysis of
293 computer-generated records; provide copies or computer printouts of
294 records when so requested; furnish unrestricted access to all areas of
295 its principal place of business or wherever records may be located; and
296 otherwise cooperate with the commissioner.

297 (e) The superior court for the judicial district of Hartford, upon
298 application of the commissioner, may issue to any person refusing to
299 obey a subpoena issued pursuant to subsection (c) of this section an
300 order requiring that person to appear before the commissioner or any
301 officer designated by the commissioner to produce records so ordered
302 or to give evidence concerning the matter under investigation or in
303 question. Failure to obey the order of the court may be punished by the
304 court as a contempt of court.

305 [(f) A licensee under section 36a-489, 36a-511, 36a-536, 36a-555, 36a-
306 581, 36a-600, 36a-633, 36a-656 or 36a-801, shall pay to the commissioner
307 the actual cost of any examination of the licensee, as such cost is
308 determined by the commissioner. Failure by the licensee to pay such
309 cost within thirty days of receipt of demand from the commissioner
310 shall automatically suspend the license until the costs are paid.]

311 [(g)] (f) As used in this section, "records" includes, but is not limited
312 to, books, papers, correspondence, memoranda, agreements, diaries,
313 logs, notes, ledgers, journals, visual, audio, magnetic or electronic
314 recordings, computer printouts and software, and any other
315 documents.

316 Sec. 4. Section 36a-53 of the general statutes, as amended by section

317 11 of public act 01-34 and section 11 of public act 01-48, is repealed and
318 the following is substituted in lieu thereof (*Effective October 1, 2002*):

319 (a) Whenever the commissioner finds as the result of an
320 investigation that any officer or director of any Connecticut bank or
321 officer or director, as defined in section 35 of this act, of any
322 Connecticut credit union or any officer, director, manager or general
323 partner of a Connecticut credit union service organization (1) has
324 violated or is violating any provision of the general statutes within the
325 jurisdiction of the commissioner, or any regulation, rule or order
326 adopted or issued thereunder, or any condition imposed in writing by
327 the commissioner, (2) has breached or is breaching any written
328 agreement with the commissioner, (3) has engaged or participated in
329 or is engaging or participating in any unsafe or unsound practice in
330 connection with any bank, Connecticut credit union, [or] federal credit
331 union or credit union service organization, (4) has been or is charged in
332 any information, indictment or complaint with the commission of or
333 participation in a crime which is punishable by imprisonment for a
334 term exceeding one year under state or federal law, and continued
335 service or participation by such officer, [or] director, manager or
336 general partner may pose a threat to the interests of depositors or
337 members, or threatens to impair public confidence in any bank,
338 Connecticut credit union, [or] federal credit union or Connecticut
339 credit union service organization, (5) has used or is using such officer's,
340 [or] director's, manager's or general partner's official position in a
341 manner contrary to the interest of any bank, Connecticut credit union,
342 [or] federal credit union or credit union service organization, or its
343 depositors or members, or (6) has been or is negligent in the
344 performance of such officer's, [or] director's, manager's or general
345 partner's duties, after having been warned in writing by the
346 commissioner to discontinue any such continuing delinquency, the
347 commissioner may send notice to such officer, [or] director, manager
348 or general partner by registered or certified mail, return receipt
349 requested, or by any express delivery carrier that provides a dated
350 delivery receipt. The notice shall be deemed received by the officer,

351 [or] director, manager or general partner on the earlier of the date of
352 actual receipt or seven days after mailing or sending. Any such notice
353 shall include: (A) A statement of the time, place and nature of the
354 hearing; (B) a statement of the legal authority and jurisdiction under
355 which the hearing is to be held; (C) a reference to the particular
356 sections of the general statutes, regulations, rules or orders alleged to
357 have been violated; (D) a short and plain statement of the matters
358 asserted; and (E) a statement indicating that such officer, [or] director,
359 manager or general partner may file a written request for a hearing on
360 the matters asserted within fourteen days of receipt of the notice. If a
361 hearing is requested within the time specified in the notice, the
362 commissioner shall hold a hearing upon the matters asserted in the
363 notice unless such officer, [or] director, manager or general partner
364 fails to appear at the hearing. After the hearing, if the commissioner
365 finds that any of the grounds set forth in subdivisions (1) to (6),
366 inclusive, of this subsection exist with respect to such officer, [or]
367 director, manager or general partner, the commissioner shall order the
368 removal of such officer, [or] director, manager or general partner from
369 office and from any participation in the management of the
370 Connecticut bank, [or] Connecticut credit union or Connecticut credit
371 union service organization. If such officer, [or] director, manager or
372 general partner fails to appear at the hearing, the commissioner shall
373 order the removal of such officer, [or] director, manager or general
374 partner from office and from any participation in the management of
375 the Connecticut bank, [or] Connecticut credit union or Connecticut
376 credit union service organization. If the commissioner finds that the
377 protection of the Connecticut bank, [or] Connecticut credit union or
378 Connecticut credit union service organization, or the interest of its
379 depositors or members requires immediate action, the commissioner
380 may suspend any such officer, [or] director, manager or general
381 partner from office and from further participation in the management
382 of the Connecticut bank, [or] Connecticut credit union or Connecticut
383 credit union service organization, by incorporating a finding to that
384 effect in such notice. The suspension or prohibition shall become
385 effective upon receipt of such notice and, unless stayed by a court,

386 shall remain in effect until the entry of a permanent order or the
387 dismissal of the matters asserted.

388 (b) Whenever it appears to the commissioner that any such
389 Connecticut bank, [or] Connecticut credit union or Connecticut credit
390 union service organization (1) is violating, has violated or is about to
391 violate any provision of the general statutes within the jurisdiction of
392 the commissioner, or any regulation, rule or order adopted or issued
393 thereunder, or any condition imposed in writing by the commissioner,
394 (2) is breaching, has breached or is about to breach any written
395 agreement with the commissioner, or (3) is engaging, has engaged or is
396 about to engage, in an unsafe or unsound practice, the commissioner
397 may send notice and take action against the Connecticut bank, [or]
398 Connecticut credit union or Connecticut credit union service
399 organization in accordance with section 36a-52, as amended. If the
400 commissioner finds that the actual or threatened violation, breach or
401 unsafe or unsound practice or practices specified in such notice is
402 likely to cause insolvency or substantial dissipation of assets or
403 earnings of the Connecticut bank, [or] Connecticut credit union or
404 Connecticut credit union service organization, or is likely to otherwise
405 seriously prejudice the interests of its depositors or members, the
406 commissioner may incorporate a finding to that effect in such notice
407 and issue a temporary order requiring the Connecticut bank, [or]
408 Connecticut credit union or Connecticut credit union service
409 organization to cease and desist from any such violation, breach or
410 practice. The temporary order shall become effective upon receipt and,
411 unless set aside or modified by a court, shall remain in effect until the
412 effective date of a permanent order or the dismissal of the matters
413 asserted.

414 (c) (1) Whenever the commissioner finds as the result of an
415 investigation that any such officer, director, manager, general partner,
416 Connecticut bank, [or] Connecticut credit union or Connecticut credit
417 union service organization has (A) violated any provision of the
418 general statutes within the jurisdiction of the commissioner, or any
419 regulation, rule or order adopted or issued thereunder, or any

420 condition imposed in writing by the commissioner, (B) breached any
421 written agreement with the commissioner, (C) engaged or participated
422 in any unsafe or unsound practice, or (D) used such officer's, [or]
423 director's, manager's or general partner's official position in a manner
424 contrary to the interest of any bank, Connecticut credit union, [or]
425 federal credit union or credit union service organization, or its
426 depositors or members, the commissioner may send notice to and take
427 action against such officer, director, manager, general partner,
428 Connecticut bank, [or] Connecticut credit union or Connecticut credit
429 union service organization regarding the violation, breach, unsafe or
430 unsound practice, or misuse of official position in accordance with
431 section 36a-50. Any finding made by the commissioner pursuant to
432 this subdivision shall be considered a violation of this subsection for
433 purposes of section 36a-50, as amended.

434 (2) Notwithstanding the provisions of section 36a-50, as amended,
435 unless the violation, breach, unsafe or unsound practice, or misuse of
436 official position found to have occurred pursuant to this subsection
437 and section 36a-50, as amended, is such that it (A) is part of a pattern
438 of misconduct, (B) has caused or is likely to cause a loss other than a de
439 minimis loss to any bank, Connecticut credit union, [or] federal credit
440 union or credit union service organization, (C) will result or has
441 resulted in a pecuniary gain to an officer, [or] director, manager or
442 general partner of any Connecticut bank, [or] Connecticut credit union
443 or Connecticut credit union service organization, or (D) is a violation
444 of section 36a-53a or sections 4 to 9, inclusive, of [this act] public act 01-
445 34, the civil penalty the commissioner may impose under this
446 subsection and section 36a-50, as amended, shall not exceed one
447 thousand dollars.

448 (3) In determining the amount of any penalty imposed under this
449 subsection and section 36a-50, as amended, the commissioner shall
450 take into account (A) the size of the financial resources and good faith
451 of the Connecticut bank, Connecticut credit union, Connecticut credit
452 union service organization, officer or director of such Connecticut
453 bank, [or] Connecticut credit union or officer, director, manager or

454 general partner of such Connecticut credit union service organization,
455 (B) the gravity of the violation, breach, unsafe or unsound practice or
456 misuse of official position, (C) the history of previous violations,
457 breaches, unsafe or unsound practices, or misuse of official position,
458 and (D) such other matters as justice may require, except that this
459 subdivision does not apply to any violation of section 36a-53a and
460 sections 4 to 9, inclusive, of [this act] public act 01-34.

461 (d) In connection with any investigation or proceeding under this
462 section and section 36a-50, as amended, the commissioner shall make
463 reasonable efforts to obtain from a federal banking or credit union
464 agency any relevant information that the commissioner knows to be in
465 the possession of such agency.

466 Sec. 5. (NEW) (*Effective October 1, 2002*) The Commissioner of
467 Banking may enter into one or more stipulations and agreements or
468 memoranda of understanding with a Connecticut bank, either alone or
469 in conjunction with the Federal Deposit Insurance Corporation or its
470 successor agency, or may enter into one or more letters of
471 understanding and agreement or memoranda of understanding with a
472 Connecticut credit union or Connecticut credit union service
473 organization, either alone or in conjunction with the National Credit
474 Union Administration or its successor agency, if the Commissioner of
475 Banking finds as a result of an examination or investigation that the
476 Connecticut bank, Connecticut credit union or Connecticut credit
477 union service organization: (1) Has failed to file a report when due, (2)
478 is insolvent, (3) has violated any provisions of the general statutes
479 within the jurisdiction of the Commissioner of Banking, or any
480 regulation, rule or order adopted or issued thereunder, or (4) has
481 engaged or participated in, or is engaging or participating in, any
482 unsafe and unsound practice.

483 Sec. 6. Subsection (a) of section 36a-65 of the general statutes is
484 repealed and the following is substituted in lieu thereof (*Effective*
485 *October 1, 2002*):

486 (a) The commissioner shall annually, on or after July first for the
487 fiscal year commencing on said July first, collect pro rata based on
488 asset size from each Connecticut bank and each Connecticut credit
489 union an amount sufficient in the commissioner's judgment to meet
490 the expenses of the Department of Banking, including a reasonable
491 reserve for contingencies, provided the commissioner shall not collect
492 such amount from a newly organized Connecticut credit union until
493 July first following the third full calendar year after issuance by the
494 commissioner of such credit union's certificate of authority. Such
495 assessments and expenses shall not exceed the budget estimates
496 submitted in accordance with section 36a-13. Such assessments may be
497 made more frequently than annually at the discretion of the
498 commissioner. Such assessments for any fiscal year shall be reduced
499 pro rata by the amount of any surplus from the assessments of prior
500 fiscal years, which surplus shall be maintained in accordance with
501 subdivision (4) of subsection (c) of this section. The commissioner may
502 reduce any such assessment collected from a Connecticut credit union
503 up to the amount of any assessment for the same fiscal year collected
504 from such credit union by another state in which such credit union has
505 established a branch. Such assessments for any fiscal year shall be a
506 liability of such banks and credit unions as of the assessment date.
507 Except as provided in this subsection, such assessments shall not be
508 prorated for any reason.

509 Sec. 7. Subsection (b) of section 36a-65 of the general statutes is
510 repealed and the following is substituted in lieu thereof (*Effective*
511 *October 1, 2002*):

512 (b) (1) The fee for trust department examinations is one hundred
513 fifty dollars a day for the examiner in charge, including time for report
514 writing, and one hundred dollars a day for each assisting examiner.
515 Any daily charge based on less than a three and one-half hour day will
516 be computed on the basis of one-half per day charge and any time in
517 excess of three and one-half hours will be on the basis of a full day. The
518 minimum rate for the examination of a trust department is one
519 hundred fifty dollars.

520 (2) The fee for an examination of a Connecticut credit union service
521 organization is the actual cost of the examination, as such cost is
522 determined by the commissioner.

523 (3) A licensee under section 36a-489, 36a-511, 36a-536, 36a-555, 36a-
524 581, 36a-600, as amended, 36a-633, 36a-656 or 36a-801, as amended,
525 shall pay to the commissioner the actual cost of any examination of the
526 licensee, as such cost is determined by the commissioner. Failure by
527 the licensee to pay such cost not later than thirty days of receipt of
528 demand from the commissioner shall automatically suspend the
529 license until the costs are paid.

530 Sec. 8. Section 36a-44 of the general statutes, as amended by section
531 3 of public act 01-72 and section 103 of public act 01-9 of the June
532 special session, is repealed and the following is substituted in lieu
533 thereof (*Effective October 1, 2002*):

534 No provision of sections 36a-41 to 36a-45, inclusive, as amended,
535 shall be construed to prohibit: (1) The preparation, examination,
536 handling or maintenance of any financial records by any officer,
537 employee or agent of a financial institution having custody of such
538 records or the examination of such records by a certified public
539 accountant engaged by the financial institution to perform an
540 independent audit; (2) the examination of any financial records by, or
541 the furnishing of financial records by a financial institution to any
542 official, employee or agent of a supervisory agency solely for use in the
543 exercise of the duties of such official, employee or agent; (3) the
544 publication of data furnished from financial records relating to
545 customers where such data does not contain information identifying
546 any particular customer or account; (4) the making of reports or
547 returns required under the Internal Revenue Code of 1986, or any
548 subsequent corresponding internal revenue code of the United States,
549 as from time to time amended; (5) disclosure of information permitted
550 under the Uniform Commercial Code concerning the dishonor of any
551 negotiable instrument; (6) the exchange, in the regular course of
552 business, of credit information between a financial institution and

553 other financial institutions or commercial enterprises, directly or
554 through a consumer reporting agency; (7) disclosures to appropriate
555 officials of federal, state or local governments upon suspected
556 violations of the criminal law; (8) disclosures pursuant to a search
557 warrant issued by a judge of the Superior Court or a judge trial referee
558 under the provisions of section 54-33a, as amended; (9) disclosures
559 concerning lawyers' clients' funds accounts made to the state-wide
560 grievance committee pursuant to any rule adopted by the judges of the
561 Superior Court; (10) disclosures to the purported payee or to any
562 purported holder of a check, draft, money order or other item, whether
563 or not such check, draft, money order or other item has been accepted
564 by such payee or holder as payment, or to any financial institution
565 purportedly involved in the collection process of a check, draft, money
566 order or other item whether such check, draft, money order or other
567 item would be paid if presented at the time of such disclosure; (11) any
568 disclosure made in connection with a financial institution's attempts to
569 preserve its rights or determine its liabilities with regard to any funds
570 transfer or any check, draft, money order or other item drawn by or
571 upon it or handled by it for collection or otherwise; [(12) the transfer of
572 information from a Connecticut credit union to a shared service center
573 and the personnel of such shared service center which takes place
574 when a member of such Connecticut credit union uses a shared service
575 center to effect a transaction with such Connecticut credit union;] (12)
576 disclosures to an insurance company for purposes of risk assessment
577 in connection with obtaining or maintaining a surety bond or fraud
578 investigations; (13) any other disclosure required under applicable
579 state or federal law or authorized to be made to any regulatory or law
580 enforcement agency under applicable state or federal law.

581 Sec. 9. Section 36a-216 of the general statutes is repealed and the
582 following is substituted in lieu thereof (*Effective October 1, 2002*):

583 (a) Whenever, in the opinion of the commissioner, general financial
584 conditions are such that the public interest requires limitation on
585 withdrawal of funds from Connecticut banks or Connecticut credit
586 unions, or the assets of any Connecticut bank or Connecticut credit

587 union are in such nonliquid condition that the interests of the
588 depositors or share account holders may be jeopardized, the
589 commissioner may: (1) Order any one or more of such banks or credit
590 unions to restrict all or any part of their business and limit or postpone
591 for any length of time the payment of any amount or proportion of the
592 deposits in any of the departments of such banks or credit unions as
593 the commissioner deems necessary or expedient. The commissioner
594 may regulate as to time and amount further payments as the interest of
595 the public, of any such bank [or banks] or credit union or of the
596 depositors, share account holders or creditors thereof may require.
597 Any order [or orders] made by the commissioner under this
598 subdivision may be amended, extended or revoked in whole or in part,
599 whenever in the commissioner's judgment circumstances warrant or
600 require; (2) authorize any such [banks] banks or credit unions to
601 receive new deposits or share account payments which shall be
602 designated as new deposits or share account payments, and shall be
603 segregated from all other deposits or share account payments. Such
604 new deposits or share account payments shall be invested only in
605 assets approved by the commissioner as being sufficiently liquid to be
606 available when needed to meet any demands on account of such new
607 deposits or share account payments. Such assets shall not be merged
608 with other assets but shall be held in trust for the security and payment
609 of such new deposits or share account payments, except that income
610 from such assets may, to the extent authorized by the commissioner, be
611 used by the banks or credit unions for other proper purposes of such
612 banks or credit unions; and the withdrawal of such new deposits or
613 share account payments shall not be subjected in any respect to
614 restriction or limitation under this section; (3) adopt such regulations,
615 in accordance with chapter 54, as the commissioner deems advisable
616 for the protection of any such bank or [banks] credit union or the
617 depositors, share account holders or creditors thereof. Any person who
618 violates any provision of such regulations shall be fined not more than
619 one thousand dollars or imprisoned not more than one year or both.

620 (b) In determining action to be taken under this section, the

621 commissioner may place such fair value on the assets of any such bank
622 or credit union as the commissioner deems advisable under the
623 conditions prevailing and circumstances relating thereto.

624 (c) Any costs and expenses incurred by the commissioner in the
625 exercise of the powers given to the commissioner under this section
626 shall be assessed by the commissioner against [the] any bank or
627 [banks] credit union in connection with which such costs and expenses
628 were incurred and, when so assessed, shall be paid by such bank or
629 [banks] credit union in addition to the annual assessment of expenses
630 of the Department of Banking provided under section 36a-65, as
631 amended by this act.

632 (d) Nothing in this section shall be construed to give the
633 commissioner authority to establish a maximum rate of dividends or
634 interest on deposits or share accounts applying to a type of
635 Connecticut bank or Connecticut credit union as a group.

636 Sec. 10. Section 36a-219 of the general statutes is repealed and the
637 following is substituted in lieu thereof (*Effective October 1, 2002*):

638 (a) Whenever, in the opinion of the commissioner or the governing
639 board, or in the case of a Connecticut credit union service organization
640 the commissioner or the governing board, managers or general
641 partners, it may be necessary to preserve assets or protect depositors or
642 share account holders, the commissioner may issue a temporary order
643 restraining any Connecticut bank, [or] out-of-state bank that maintains
644 in this state a branch, as defined in section 36a-410, to the extent of its
645 operations in this state, Connecticut credit union or out-of-state credit
646 union that maintains in this state a branch, as defined in section 35 of
647 this act, to the extent of its operations in this state, or Connecticut
648 credit union service organization from paying out any funds or
649 receiving moneys for deposit, for certificates of indebtedness or for
650 payment on accounts, or, in the case of a Connecticut bank,
651 Connecticut credit union or Connecticut credit union service
652 organization, appoint a conservator, until a hearing before the superior

653 court of the judicial district of Hartford. The court may, upon
654 application of the commissioner or upon application of the governing
655 board of any such Connecticut bank, [or] out-of-state bank,
656 Connecticut credit union or out-of-state credit union, or the governing
657 board, managers or general partners of any such Connecticut credit
658 union service organization, issue an order restraining any such bank,
659 credit union or credit union service organization from declaring or
660 paying any dividends or from paying out any funds of such bank,
661 credit union or credit union service organization for such time as the
662 court deems necessary. Such order shall be in writing directed to such
663 bank, credit union or credit union service organization and a copy of
664 the order attested and [left] hand-delivered by the commissioner
665 [with] to the president, chief executive officer, secretary, or treasurer
666 [or cashier] of any such bank [,] or credit union, or in the case of a
667 Connecticut credit union service organization, to the president, chief
668 executive officer, secretary, treasurer, a manager or general partner of
669 any such credit union service organization, or in the case of an out-of-
670 state bank, [with] or out-of-state credit union, to its agent, shall be
671 sufficient notice thereof. Before issuing such restraining order, the
672 court shall cause reasonable notice to be given to such bank, credit
673 union or credit union service organization. Notice to the [cashier]
674 president, chief executive officer, secretary, treasurer or agent of any
675 such bank or credit union, an agent of any such out-of-state bank or
676 out-of-state credit union, or president, chief executive officer, secretary,
677 treasurer, manager or general partner of any such credit union service
678 organization shall be notice to such bank, credit union or credit union
679 service organization. Notice may be waived by any such [cashier]
680 president, chief executive officer, treasurer, secretary, manager, general
681 partner or agent.

682 (b) Before the governing board of any such Connecticut bank, [or]
683 out-of-state bank, Connecticut credit union or out-of-state credit union,
684 or the governing board, managers or general partners of any such
685 Connecticut credit union service organization applies to the court for
686 such restraining order, notice shall be given in writing to the

687 commissioner of its intention to so apply at least ten days before such
688 application is made. If, in the opinion of the commissioner or such
689 governing board, managers or general partners, such order should be
690 revoked or modified, the court may, on application of the
691 commissioner or such governing board, managers or general partners,
692 revoke or modify the original order, and notice of such revocation or
693 modification shall be given to the bank, credit union or credit union
694 service organization affected thereby in the same manner as in the case
695 of the original order.

696 Sec. 11. Section 36a-220 of the general statutes is repealed and the
697 following is substituted in lieu thereof (*Effective October 1, 2002*):

698 (a) If it appears to the commissioner that (1) the charter of any
699 Connecticut bank or out-of-state bank that maintains in this state a
700 branch, as defined in section 36a-410, or the certificate of authority of
701 any Connecticut credit union or out-of-state credit union that
702 maintains in this state a branch, as defined in section 35 of this act, is
703 forfeited, (2) the public is in danger of being defrauded by such bank
704 or credit union, it is unsafe or unsound for such bank or credit union to
705 continue business or its assets are being dissipated, (3) such bank or
706 credit union is insolvent, or (4) the Federal Deposit Insurance
707 Corporation, National Credit Union Administration or [its] their
708 successor [agency has] agencies have terminated insurance of the
709 insurable accounts or deposits of such bank or credit union, the
710 commissioner shall apply to the superior court for the judicial district
711 of Hartford or the judicial district in which the main office of such
712 bank or credit union is located for an injunction restraining such bank
713 or credit union from conducting business or, in the case of a
714 Connecticut bank or Connecticut credit union, for the appointment of a
715 conservator or for a receiver to wind up its affairs.

716 (b) The court may take one or more of the following actions: (1)
717 Grant such injunction or appoint such receiver, or both, (2) appoint
718 such conservator, or (3) in the case of a Connecticut bank or
719 Connecticut credit union, declare the charter of such bank or certificate

720 of authority of such credit union to be null and void after reasonable
721 notice to such bank or credit union. Nothing in this section shall be
722 construed as affecting any provision of sections 36a-218 and 36a-219, as
723 amended by this act.

724 Sec. 12. Section 36a-222 of the general statutes is repealed and the
725 following is substituted in lieu thereof (*Effective October 1, 2002*):

726 (a) The duty of the receiver shall be to place the Connecticut bank or
727 Connecticut credit union in liquidation and proceed to realize upon
728 the assets of such bank or credit union, having due regard for the
729 conditions of credit in the locality of such bank or credit union.

730 (b) The duty of the conservator shall be to carry on the business of
731 the Connecticut bank or Connecticut credit union, to preserve and
732 conserve the assets and property of the bank or credit union, and to
733 put such bank or credit union in a safe and sound condition.

734 Sec. 13. Section 36a-223 of the general statutes is repealed and the
735 following is substituted in lieu thereof (*Effective October 1, 2002*):

736 (a) In all cases in which the appointment of a receiver or conservator
737 for any Connecticut bank or Connecticut credit union is sought, if it is
738 found that a receiver or conservator should be appointed, the Superior
739 Court shall appoint the commissioner as a receiver or conservator,
740 except that the commissioner may request that the Federal Deposit
741 Insurance Corporation or the [Resolution Trust Corporation] National
742 Credit Union Administration, or their successor agencies, be appointed
743 receiver or conservator. If the commissioner requests appointment of
744 either [of those corporations] the Federal Deposit Insurance
745 Corporation or the National Credit Union Administration, or their
746 successor agencies, the Superior Court shall make such appointment.
747 The Superior Court may appoint the receiver or conservator on an ex
748 parte basis upon a sufficient affidavit of the commissioner or the
749 commissioner's authorized representative indicating reasonable
750 likelihood that an unsafe or unsound condition exists which is likely to
751 have an adverse effect upon depositors, share account holders or

752 creditors. The commissioner may organize a separate division within
753 the Department of Banking for liquidating and administering the
754 affairs of the banks or credit unions for which the commissioner is
755 acting as receiver or conservator, and the commissioner may appoint
756 such employees as the commissioner deems necessary for the
757 liquidation or administration of the affairs of such banks or credit
758 unions. Any salaries and expenses shall be paid out of the funds of the
759 bank or credit union in the possession of the commissioner, subject to
760 the approval of the court having jurisdiction. The commissioner may
761 appoint an agent, who may be an employee of the Department of
762 Banking or such other person as the commissioner may deem
763 appropriate and who, in the absence or incapacity of the commissioner
764 and of the commissioner's deputy, shall have authority to act for or
765 represent the commissioner in all matters pertaining to the duties of
766 the commissioner as the receiver or conservator of any Connecticut
767 bank or Connecticut credit union. Such agent may execute and sign for
768 the commissioner as the receiver or conservator any documents,
769 instruments or reports necessary in the administration of the
770 receivership or conservatorship. The state shall be reimbursed for any
771 costs or expenses incurred by the Department of Banking in the
772 administration of the receivership or conservatorship, and the
773 commissioner may collect from each such estate in receivership or
774 conservatorship such charges as, in the commissioner's opinion, are
775 fair and equitable. Any such costs or expenses so collected shall be
776 deposited with the State Treasurer and shall be credited to the State
777 Banking Fund. All legal services required by the commissioner or the
778 commissioner's deputy, agent or employees in connection with such
779 receivership proceedings or the administration or reorganization of
780 any such Connecticut bank or Connecticut credit union shall be
781 performed by the Attorney General, and any salaries and expenses for
782 such legal assistance shall be paid out of the funds of the estate in
783 receivership or conservatorship with the approval of the superior court
784 having jurisdiction. Such salaries and expenses shall be allocated by
785 the commissioner as nearly as possible to the estate in receivership or
786 conservatorship for which the services were rendered, and the funds in

787 payment of the same shall be deposited with the State Treasurer and
788 shall be credited to the appropriation for the Attorney General. The
789 commissioner shall keep on file in the commissioner's office an
790 executed copy of each report required to be filed by the commissioner,
791 as the receiver or conservator, with the clerk of the Superior Court and
792 shall include a report of each bank or credit union for which the
793 commissioner is acting as receiver or conservator in the
794 commissioner's annual report to the Governor. If the commissioner,
795 the Federal Deposit Insurance Corporation or the [Resolution Trust
796 Corporation] National Credit Union Administration, or their successor
797 agencies, accepts the appointment as receiver or conservator, no bond
798 shall be required to be posted.

799 (b) Upon the appointment of a receiver pursuant to subsection (a) of
800 this section, possession of and title to all assets, business and property
801 of the Connecticut bank or Connecticut credit union shall pass to and
802 vest in the receiver without the execution of any instruments of
803 conveyance, assignment, transfer or endorsement.

804 (c) A receiver or conservator appointed pursuant to subsection (a) of
805 this section shall have the following powers: (1) To take possession of
806 the books, records and assets of every description of the Connecticut
807 bank or Connecticut credit union and collect all debts due and claims
808 belonging to it; (2) to sue and defend all rights and claims involving
809 the bank or credit union; (3) to exercise any and all fiduciary functions
810 of the bank or credit union as of the date of the commencement of the
811 receivership or conservatorship; (4) to borrow such sums of money as
812 may be necessary or desirable in the performance of the duties of the
813 receiver or conservator, and in connection therewith, to secure such
814 borrowings by the pledge, hypothecation or mortgage of the assets of
815 the bank or credit union; (5) to sell, subject to the approval of the
816 appointing court, any and all real and personal property and, on like
817 order, to compromise and settle all bad or doubtful debts; (6) to
818 exercise all of the power and authority of the corporators,
819 shareholders, directors, trustees, officers, [and] depositors and share
820 account holders of such bank or credit union in carrying out the duty

821 of the receiver or conservator; (7) to exercise such other powers and
822 duties as may be reasonably necessary or desirable to effectively and
823 efficiently perform the functions of receiver or conservator in
824 accordance with federal and state banking and credit union laws and
825 regulations.

826 Sec. 14. Section 36a-224 of the general statutes is repealed and the
827 following is substituted in lieu thereof (*Effective October 1, 2002*):

828 Upon recommendation of the receiver and with the approval of the
829 court having jurisdiction, any such Connecticut bank or Connecticut
830 credit union placed in receivership may be reopened and may resume
831 business and such receiver, upon the application of any depositor,
832 shareholder, share account holder or creditor thereof, shall present to
833 the court having jurisdiction, for the court's approval, any plan of
834 refinancing or reorganization which has been submitted to the receiver
835 by such depositor, share account holder, shareholder or creditor. Any
836 authorized committee of shareholders, share account holders or
837 depositors may, with the approval of the superior court having
838 jurisdiction, examine the records of such bank or credit union for
839 which they appear, in the possession of the commissioner as the
840 receiver, for the purpose of preparing a plan of refinancing or
841 reorganization of such bank or credit union. After submitting such
842 proposed plan to the court having jurisdiction, the commissioner shall
843 be subject to such orders as are made by the court respecting such
844 plan.

845 Sec. 15. Section 36a-225 of the general statutes is repealed and the
846 following is substituted in lieu thereof (*Effective October 1, 2002*):

847 The Superior Court, upon appointing a receiver of any Connecticut
848 bank or Connecticut credit union, shall limit the time within which all
849 claims against the bank or credit union may be presented to the
850 receiver, and the court may, upon cause shown, extend such time and
851 shall cause such public notice of such limitation or extension of time to
852 be given as it deems reasonable and just. All claims not presented to

853 the receiver within the period limited shall be forever barred, except
854 that any claim for a deposit or share account, as shown by the
855 depositor's or share account holder's passbook, certificate of deposit,
856 statement or other evidence of deposit or the records of such bank or
857 credit union, shall be allowed by the receiver.

858 Sec. 16. Section 36a-226 of the general statutes is repealed and the
859 following is substituted in lieu thereof (*Effective October 1, 2002*):

860 The receiver shall, as soon after the receiver's appointment as is
861 practicable, make and return to the court an inventory and appraisal of
862 the assets of the Connecticut bank or Connecticut credit union or estate
863 in receivership, verified by oath according to the receiver's best
864 knowledge, information and belief, and shall, from time to time
865 thereafter, make and return such additional or supplementary
866 inventories and valuations, and render such reports of the receiver's
867 actions and statements of accounts, as are necessary for the
868 information of the court or as are required by the order of the court.
869 The receiver shall hold all the assets which come into the receiver's
870 possession as such receiver, subject to the order of the court, and shall
871 convert such assets into money with all reasonable dispatch, and for
872 that purpose may sell and dispose of such assets, and make all proper
873 conveyances thereof, and may compromise all doubtful claims for or
874 against such bank or credit union; provided no claim in favor of such
875 bank or credit union against any director, trustee or other officer
876 thereof, for breach or neglect of official duty, shall be compromised
877 without the special authority and approval of the court. In cases of
878 doubt or difficulty the receiver may, upon written application, ask the
879 advice of the court as to the manner in which the receiver shall execute
880 the receiver's trust. The court may, from time to time, on its own
881 motion, or on complaint of any interested party, make all necessary
882 and proper orders as to the proceedings and actions of the receiver.

883 Sec. 17. Section 36a-227 of the general statutes is repealed and the
884 following is substituted in lieu thereof (*Effective October 1, 2002*):

885 (a) All attachments of, or against, the estate of any Connecticut bank
886 or Connecticut credit union, made within sixty days of the date of
887 filing of any complaint seeking the appointment of a receiver pursuant
888 to sections 36a-215 to 36a-239, inclusive, as amended, and all levies of
889 execution upon the estate thereof not completed within such time
890 period, except such levies made in pursuance of attachments which are
891 not hereby invalidated, shall be dissolved, upon the appointment of a
892 receiver.

893 (b) Immediately after the granting of an injunction or appointment
894 of a receiver pursuant to sections 36a-215 to 36a-239, inclusive, as
895 amended, the commissioner shall place a notice of such injunction or
896 appointment at the main entrance of the bank or credit union and
897 thereafter no judgment lien, attachment lien or any voluntary lien shall
898 attach to any asset of such bank or credit union. No director, officer,
899 member of senior management, as defined in section 35 of this act, or
900 agent of such bank or credit union shall thereafter have the authority
901 to act on behalf of such bank or credit union or to convey, transfer,
902 assign, pledge, mortgage or encumber any assets of such bank or credit
903 union. Any attempt by any director, officer, member of senior
904 management or agent of such bank or credit union to convey, transfer,
905 assign, pledge, mortgage or encumber any asset of such bank or credit
906 union or to create any lien on such bank or credit union or to prefer
907 any depositor, share account holder or creditor of such bank or credit
908 union after the posting of such notice or in contemplation thereof shall
909 be void.

910 Sec. 18. Section 36a-228 of the general statutes is repealed and the
911 following is substituted in lieu thereof (*Effective October 1, 2002*):

912 Within six months after the appointment of a receiver pursuant to
913 section 36a-223, as amended by this act, the commissioner or the
914 receiver may terminate any executory contract for services or
915 advertising to which the Connecticut bank or Connecticut credit union
916 is a party or any obligation of the bank or credit union as a lessee. A
917 lessor who receives sixty days' notice of the election to terminate a

918 lease shall have no claim for rent other than rent accrued to the date of
919 termination or for damages for such termination.

920 Sec. 19. Section 36a-229 of the general statutes is repealed and the
921 following is substituted in lieu thereof (*Effective October 1, 2002*):

922 Any person who wilfully neglects or refuses to deliver to the
923 receiver or conservator of any Connecticut bank or Connecticut credit
924 union, on demand, any books, papers or evidences of title or debt or
925 property belonging to such receivership or conservatorship, in the
926 possession or under the control of such person, shall be fined not more
927 than ten thousand dollars or imprisoned not more than three years or
928 both.

929 Sec. 20. Section 36a-230 of the general statutes is repealed and the
930 following is substituted in lieu thereof (*Effective October 1, 2002*):

931 No claim in favor of a Connecticut bank or Connecticut credit union
932 in receivership, not barred by the statute of limitations at the time of
933 serving the citation on the bank or credit union for the appointment of
934 a receiver, shall be barred against the receiver in any suit for the
935 recovery of such claim, brought by the receiver either in the receiver's
936 name or in the name of such bank or credit union.

937 Sec. 21. Subsection (a) of section 36a-231 of the general statutes is
938 repealed and the following is substituted in lieu thereof (*Effective*
939 *October 1, 2002*):

940 (a) The receiver or conservator of any Connecticut bank or
941 Connecticut credit union shall file with the clerk of the superior court
942 having jurisdiction, within the first three days of April and October in
943 each year, a statement subscribed and sworn to by the receiver or
944 conservator, containing the following particulars, so far as they do not
945 appear in a preceding report on file with the court, and any changes or
946 additions that have occurred since the filing of such preceding report:
947 (1) The names and residences, so far as known, of all creditors of such
948 receivership or conservatorship, and the amounts respectively due

949 them; (2) a full list of all the assets on hand, with the estimated value of
950 such assets at the time of the appointment of the receiver or
951 conservator; (3) a statement of all disbursements of money made in the
952 discharge of duties as receiver or conservator; (4) the amount of cash
953 on hand and the place or places of deposit of the cash and the terms of
954 such deposit.

955 Sec. 22. Section 36a-233 of the general statutes is repealed and the
956 following is substituted in lieu thereof (*Effective October 1, 2002*):

957 No part of the funds or property in the possession of a receiver of
958 any Connecticut bank or Connecticut credit union is subject to process
959 of foreign attachment.

960 Sec. 23. Section 36a-234 of the general statutes is repealed and the
961 following is substituted in lieu thereof (*Effective October 1, 2002*):

962 In any action against the receiver of any Connecticut bank or
963 Connecticut credit union in which an injunction is granted restraining
964 the receiver from disposing of any of the trust estate, the receiver shall
965 apply for the dissolution of such injunction within thirty days after the
966 writ or order of injunction is served. The hearing on any such
967 application has precedence over all other causes in respect to the order
968 of trial.

969 Sec. 24. Section 36a-235 of the general statutes is repealed and the
970 following is substituted in lieu thereof (*Effective October 1, 2002*):

971 (a) All payments or conveyances made by any Connecticut bank or
972 Connecticut credit union in contemplation of insolvency, to or for the
973 use of any or all of the creditors of such bank or credit union, with the
974 fraudulent intent to prevent the distribution and appropriation of the
975 effects of such bank or credit union in the manner prescribed by
976 section 36a-237, as amended by this act, are void.

977 (b) No execution shall be issued or levied against any Connecticut
978 bank or Connecticut credit union, or its property, before final

979 judgment, including the exhaustion of all appeals, in any proceeding
980 brought against such bank or credit union in any court in this or any
981 other state.

982 Sec. 25. Section 36a-237 of the general statutes is repealed and the
983 following is substituted in lieu thereof (*Effective October 1, 2002*):

984 (a) The avails of the property of any Connecticut bank in the
985 possession of a receiver shall be distributed in the following order of
986 priority: (1) All fees and assessments due the commissioner; (2) the
987 charges and expenses of settling such bank's affairs; (3) all deposits; (4)
988 all other liabilities; (5) any liquidation account; and (6) in the case of a
989 capital stock Connecticut bank, the claims of shareholders or, in the
990 case of a mutual savings bank or mutual savings and loan association,
991 the claims of depositors in proportion to their respective deposits.

992 (b) In the event of liquidation of a Connecticut credit union, the
993 assets of the Connecticut credit union or the proceeds from any
994 disposition of the assets shall be applied and distributed in the
995 following sequence: (1) All fees and assessments due the
996 commissioner; (2) claims of secured creditors up to the value of their
997 collateral; (3) the costs and expenses of liquidation; (4) the wages due
998 the employees of the Connecticut credit union; (5) the costs and
999 expenses incurred by creditors in successfully opposing the release of
1000 the Connecticut credit union from certain debts as allowed by the
1001 commissioner; (6) all taxes owed to the United States or any other
1002 governmental unit; (7) all other debts owed to the United States or any
1003 other governmental unit; (8) claims of general creditors and secured
1004 creditors to the extent that their claims exceed the value of their
1005 collateral; (9) members, to the extent of uninsured share accounts, and
1006 the organization that insured the share accounts of the Connecticut
1007 credit union; (10) in the event of liquidation of a Connecticut credit
1008 union that is a corporate Connecticut credit union, as defined in
1009 section 35 of this act, membership capital, and then paid-in capital; and
1010 (11) in the event of liquidation of a Connecticut credit union that has
1011 received a low-income designation from the National Credit Union

1012 Administration under 12 CFR 701.34, as from time to time amended,
1013 any outstanding secondary capital accounts.

1014 [(b)] (c) The holders of claims in any class set forth in this section
1015 shall not receive any distribution until the holders of claims in all
1016 classes having a higher priority under this section are paid in full. If
1017 the avails of the property of any such [capital stock] Connecticut bank
1018 [, mutual savings bank or mutual savings and loan association] or
1019 Connecticut credit union are insufficient to pay in full all of the claims
1020 in a particular class, the avails shall be distributed to each claimant
1021 within such class on a pro rata basis.

1022 Sec. 26. Section 36a-238 of the general statutes is repealed and the
1023 following is substituted in lieu thereof (*Effective October 1, 2002*):

1024 Whenever the Federal Deposit Insurance Corporation or National
1025 Credit Union Administration, or [its] their successor [agency, pays or
1026 makes] agencies, pay or make available for payment the insured
1027 deposit or account liabilities of a closed Connecticut bank or
1028 Connecticut credit union, the Federal Deposit Insurance Corporation
1029 or National Credit Union Administration, whether or not it has
1030 become such bank's or credit union's receiver, is subrogated to all of
1031 the rights of the owners of the deposits or share accounts against such
1032 bank or credit union in the same manner and to the same extent as
1033 subrogation of the Federal Deposit Insurance Corporation is provided
1034 for in the Federal Deposit Insurance Act, as from time to time
1035 amended, in the closing of a federal bank, or the National Credit Union
1036 Administration is provided for in the Federal Credit Union Act, 12
1037 USC Section 1741 et seq., as from time to time amended, in the closing
1038 of a federal credit union.

1039 Sec. 27. Section 36a-239 of the general statutes is repealed and the
1040 following is substituted in lieu thereof (*Effective October 1, 2002*):

1041 (a) After a final disposition of funds as provided in sections 36a-236
1042 and 36a-237, as amended by this act, the receiver, upon applying to the
1043 superior court having jurisdiction and after such public notice as the

1044 court may require, may be discharged from further liability. If no plan
1045 of refinancing or reorganization has been approved by the court, the
1046 charter of the Connecticut bank or certificate of authority of a
1047 Connecticut credit union in receivership shall be forfeited upon the
1048 discharge of the receiver from further liability.

1049 (b) Upon a determination by the commissioner that the conditions
1050 that formed the basis for the appointment of a conservator for any
1051 Connecticut bank or Connecticut credit union no longer exist, the
1052 commissioner shall apply to the superior court having jurisdiction to
1053 have the conservator discharged from further liability. Upon
1054 appointment of a receiver for any bank or credit union that is subject to
1055 a conservatorship, the conservator shall automatically be discharged
1056 from further liability without any specific action of the commissioner
1057 or the court.

1058 Sec. 28. Section 36a-291 of the general statutes is repealed and the
1059 following is substituted in lieu thereof (*Effective October 1, 2002*):

1060 Unless the applicable deposit contract or share contract provides
1061 that the account is nontransferable, and except to the extent that such
1062 deposit contract or share contract otherwise limits such right, the
1063 interest of any named owner in any savings account or share account
1064 established or maintained at any Connecticut bank or Connecticut
1065 credit union, except a savings or share account subject to negotiable
1066 orders of withdrawal, or in any time account established or maintained
1067 at such bank or credit union, without regard to whether any such
1068 account is held in the names of one or more persons, may be pledged
1069 by such named owner, without the consent of any other named owner
1070 thereof by delivery to the pledgee of (1) the passbook, if any,
1071 evidencing such account, and (2) an order to the Connecticut bank or
1072 Connecticut credit union to transfer such pledged account to the
1073 pledgee; but no such pledge shall be effective against any person other
1074 than the named owners, their executors or administrators, or their
1075 receivers or custodians, unless an actual transfer of such account to the
1076 pledgee has been made upon the books of such bank or credit union,

1077 or a copy of the order for such transfer has been filed with the bank or
1078 credit union. Any pledgee which makes a loan based on the pledge of
1079 a savings account, [or a] time account or share account as provided in
1080 this section shall have a lien against such account until all sums due
1081 under the loan have been repaid. The Connecticut bank or Connecticut
1082 credit union with which such savings account, [or] time account or
1083 share account is established or maintained may be a pledgee under this
1084 section. This section does not apply to a negotiable certificate of
1085 deposit subject to the terms of article 9 of title 42a.

1086 Sec. 29. Section 36a-292 of the general statutes is repealed and the
1087 following is substituted in lieu thereof (*Effective October 1, 2002*):

1088 (a) Whenever all or any portion of the balance of any deposit
1089 account or share account which is a joint account under section 36a-290
1090 has been paid, after the death of one account owner to any surviving
1091 account owner or owners, and if the deceased account owner has left
1092 no other estate of sufficient value for the payment of claims against the
1093 deceased account owner's estate, such survivor or survivors or, if any
1094 such survivor is incapable, the legal representative of such incapable
1095 survivor, shall pay to the representative of such estate or, if there is no
1096 such representative, and subject to the terms of subsection (b) of this
1097 section, directly to the claimant, from such joint account or from its
1098 proceeds, any valid claims against the deceased account owner's estate
1099 for such deceased account owner's funeral expenses, for the expenses
1100 of settling such estate, for any debts owed for the last sickness of such
1101 deceased account owner, and for any debt due to this state for aid or
1102 care to the deceased account owner. The aggregate liability of the
1103 surviving account owner or owners, under this section, shall not
1104 exceed an amount equal to the balance of such joint account on the
1105 date of the deceased account owner's death divided by the number of
1106 owners of such account immediately before the deceased account
1107 owner's death.

1108 (b) After pursuing all remedies available for payment from any
1109 estate left by the deceased account owner, any person to whom any of

1110 the claims, expenses or debts listed in subsection (a) of this section are
1111 owed shall have direct recourse to such survivor, survivors or legal
1112 representative of any such incapable survivor for such claim, expense
1113 or debt, but only to the extent of their liability under subsection (a) of
1114 this section, and shall thereafter have no further recourse against the
1115 deceased account owner's estate for such claim, expense or debt.

1116 Sec. 30. Section 36a-293 of the general statutes is repealed and the
1117 following is substituted in lieu thereof (*Effective October 1, 2002*):

1118 Notice to any bank, Connecticut credit union or federal credit union
1119 of any adverse claim to all or any portion of the balance of a deposit
1120 account or share account held within this state and, according to [the]
1121 such bank's or credit union's records, for the credit of any person, shall
1122 not be effectual to cause such bank or credit union to recognize such
1123 adverse claimant unless such adverse claimant also either (1) procures
1124 a restraining order, injunction or other appropriate process against
1125 such bank or credit union from a court of competent jurisdiction in a
1126 cause instituted by such person wherein each person for whose credit
1127 the deposit account or share account is held, or such person's executor,
1128 administrator, receiver, custodian, legal representative or heir, is made
1129 a party and is served with summons, or (2) executes to such bank or
1130 credit union, in a form and with sureties acceptable to it, a bond
1131 indemnifying such bank or credit union from any and all liability, loss,
1132 damage, costs and expenses for and on account of the payment of such
1133 adverse claim or the dishonor of the check or other order of the person
1134 for whose credit the deposit account or share account, according to the
1135 records of such bank or credit union, is held; provided this section
1136 shall not apply in any instance where the person for whose credit the
1137 deposit account or share account is held, according to the records of
1138 such bank or credit union, is a fiduciary for such adverse claimant, and
1139 the facts constituting such relationship, and the facts showing
1140 reasonable cause of belief on the part of such claimant that such
1141 fiduciary is about to misappropriate all or any portion of the balance of
1142 such deposit account or share account, are made to appear by affidavit
1143 of such claimant. An adverse claimant means one who is not a named

1144 owner, joint owner or co-owner of the deposit account or share
1145 account according to the bank's or credit union's records. This section
1146 shall not apply to any writ of foreign attachment or any writ of
1147 execution applying to a deposit account or share account.

1148 Sec. 31. Section 36a-294 of the general statutes is repealed and the
1149 following is substituted in lieu thereof (*Effective October 1, 2002*):

1150 When any passbook, certificate or instrument, negotiable or
1151 nonnegotiable, transferable or nontransferable, issued by a
1152 Connecticut bank or Connecticut credit union in connection with a
1153 deposit account or share account has been lost, stolen or destroyed, all
1154 persons in whose names such account is held, or their respective legal
1155 representatives, may make written application to such bank or credit
1156 union for either the payment of the balance then due on such account
1157 or for the issuance of a duplicate passbook, certificate or instrument for
1158 such account. Such application shall be signed by each person in
1159 whose name such account is then held according to the records of the
1160 bank or credit union, and shall be in such form, together with such
1161 sureties and such reasonable representations, warranties, agreements
1162 and indemnifications as are acceptable to such bank or credit union.
1163 Upon receipt of such application and proof satisfactory to it of the
1164 identity of the person or persons making such application, such bank
1165 or credit union shall, at its option, either pay the balance then due on
1166 such account to such applicant or applicants or issue a duplicate
1167 passbook, certificate or instrument for such account and, upon such
1168 payment or issuance, all liability of such bank or credit union to any
1169 person making such application and based on the existence of the
1170 original passbook, certificate or instrument terminates.

1171 Sec. 32. Section 36a-295 of the general statutes is repealed and the
1172 following is substituted in lieu thereof (*Effective October 1, 2002*):

1173 Except as otherwise provided by applicable state or federal law,
1174 including title 42a, if a Connecticut bank or Connecticut credit union
1175 has rendered a statement or delivered a passbook to its depositor or

1176 share account holder reflecting transactions in or the balance of a
1177 deposit account or share account, and unless a court of competent
1178 jurisdiction determines, in an action filed by the depositor or share
1179 account holder against such bank or credit union before the expiration
1180 of seven years from the date of the rendering of the statement or the
1181 delivery of the passbook, that the statement or passbook was
1182 inaccurate or incomplete, then, upon the expiration of the seven-year
1183 period, at the option of such bank or credit union, the statement or
1184 passbook is deemed accurate and complete as of the date of the
1185 statement or the delivery and as to each transaction and any balance
1186 reflected in the statement or passbook, and such depositor or share
1187 account holder is thereafter barred from questioning the correctness of
1188 any transaction and any balance reflected therein for any cause.
1189 Nothing in this section shall be construed to relieve the depositor or
1190 share account holder from the duty imposed by law or contract of
1191 exercising due diligence in the examination of any such statement or
1192 passbook when rendered by the bank or credit union, and of
1193 immediate notification to the bank or credit union upon discovery of
1194 any error therein, nor from the legal consequences of neglect of such
1195 duty.

1196 Sec. 33. Section 36a-297 of the general statutes is repealed and the
1197 following is substituted in lieu thereof (*Effective October 1, 2002*):

1198 A minor may contract to establish a deposit account with any bank
1199 or share account with any Connecticut credit union or federal credit
1200 union, and may be the owner, or a joint owner, co-owner or beneficiary
1201 of any deposit account or share account. A minor who is an owner, co-
1202 owner or beneficiary of any deposit account or share account shall be
1203 bound by the terms of the deposit contract or share account contract
1204 governing such [deposit] account, as amended by the bank or credit
1205 union from time to time, and any payment made or withdrawal
1206 permitted by such bank or credit union in accordance with the terms of
1207 the deposit contract or share account contract governing such account
1208 shall constitute a sufficient and valid release to such bank or credit
1209 union for such payment or withdrawal and shall be binding upon such

1210 minor and any other owner, co-owner or beneficiary of such deposit
1211 account or share account to the same extent as if such minor were over
1212 the age of majority. Unless made by such minor or by a person
1213 appointed as guardian of the estate of such minor, a bank, Connecticut
1214 credit union or federal credit union may treat any claim to a deposit
1215 account or share account made solely on behalf of a minor owner, co-
1216 owner or beneficiary of such deposit account or share account as an
1217 adverse claim under section 36a-293, as amended by this act. This
1218 section shall not affect any rights of or obligations imposed on a
1219 parent, guardian or spouse of a minor under section 45a-631.

1220 Sec. 34. (NEW) (*Effective October 1, 2002*) Sections 34 to 73, inclusive,
1221 of this act shall be known as the "Connecticut Credit Union Act".

1222 Sec. 35. (NEW) (*Effective October 1, 2002*) As used in sections 34 to 73,
1223 inclusive, of this act, unless the context otherwise requires:

1224 (1) "Branch" means any office of a Connecticut credit union at a
1225 fixed location, other than the main office, at which shares or deposits
1226 are received, share drafts or checks are paid, or money is lent;

1227 (2) "Capital" means undivided earnings, regular reserves, other
1228 special purpose reserves, donated equity, and accumulated, unrealized
1229 gains or losses on securities in accordance with generally accepted
1230 accounting principles;

1231 (3) "Certificate of incorporation" means the certificate of
1232 incorporation of a Connecticut credit union and includes in the case of
1233 Connecticut credit unions in existence on July 1, 1975, articles of
1234 association, articles of incorporation and certificates of organization;

1235 (4) "Corporate", when used in conjunction with any institution that
1236 is a Connecticut credit union, federal credit union or out-of-state credit
1237 union, means a corporate credit union, as defined in 12 CFR 704.2, as
1238 from time to time amended;

1239 (5) "Credit manager" means a natural person approved by the

1240 governing board of a Connecticut credit union and employed by such
1241 credit union to supervise its lending activities;

1242 (6) "Credit union service organization services" means those services
1243 that are authorized for credit union service organizations under state
1244 or federal law, and that are closely related to credit union business, are
1245 convenient and useful to credit union business, are reasonably related
1246 to the operations of a credit union or are financial in nature;

1247 (7) "Director" means a member of the governing board, a director
1248 emeritus or an advisory director of a Connecticut credit union;

1249 (8) "Federal Credit Union Act" means 12 USC Section 1751 et seq., as
1250 from time to time amended;

1251 (9) "Financial institution" means any Connecticut credit union, bank,
1252 federal credit union, out-of-state bank or out-of-state credit union;

1253 (10) "Immediate family member" means any person related by
1254 blood, adoption or marriage to a person within the field of
1255 membership of the Connecticut credit union;

1256 (11) "Member" means any person who has been admitted to
1257 membership in the Connecticut credit union in accordance with this
1258 act;

1259 (12) "Member in good standing" means a member who (A) owns at
1260 least one membership share in a credit union, (B) is current on all
1261 credit obligations to the credit union, and (C) has not caused the credit
1262 union a credit or share loss that remains outstanding;

1263 (13) "Membership share" means a share equal to the stated par value
1264 of the Connecticut credit union which may not be withdrawn or
1265 transferred except upon termination of membership and which confers
1266 membership and voting rights on the member;

1267 (14) "Multiple common bond membership" means a field of
1268 membership consisting of more than one group of individuals, each of

1269 which has, within the group, a common bond of occupation or
1270 association;

1271 (15) "Officer" means the chairperson, vice chairperson, secretary and
1272 treasurer of the governing board of a Connecticut credit union;

1273 (16) "Senior management" means the president or chief executive
1274 officer, vice president or vice chief executive officer, chief financial
1275 officer, credit manager, and any person occupying a similar status or
1276 performing a similar function;

1277 (17) "Share" means the basic unit of moneys held by a member of a
1278 Connecticut credit union in share accounts at a Connecticut credit
1279 union on which a dividend may be paid;

1280 (18) "Single common bond membership" means a field of
1281 membership consisting of one group that has a common bond of
1282 occupation or association.

1283 Sec. 36. (NEW) (*Effective October 1, 2002*) (a) The franchise and filing
1284 fee payable to the Secretary of the State shall be thirteen dollars for the
1285 filing of a certificate of incorporation upon the incorporation of a
1286 Connecticut credit union under the laws of this state.

1287 (b) The filing and certification fee payable to the Secretary of the
1288 State shall be thirteen dollars for the filing and certification of (1) a
1289 certificate of amendment to the certificate of incorporation of a
1290 Connecticut credit union, (2) a merger agreement, plan of merger,
1291 certificate of amendment to certificate of incorporation and the
1292 Commissioner of Banking's approval pursuant to subdivision (3) of
1293 subsection (b) of section 67 of this act, (3) an officer's certificate of
1294 conversion and the Commissioner of Banking's approval pursuant to
1295 subsection (g) of section 68 of this act, or (4) a certificate of
1296 incorporation, certificate of authority and the Commissioner of
1297 Banking's approval pursuant to subsection (c) of section 69 of this act.

1298 (c) The filing fee payable to the Secretary of the State shall be

1299 thirteen dollars for the filing of a certificate of authority and certificate
1300 of incorporation pursuant to subsection (f) of section 70 of this act.

1301 (d) The fee payable to the Secretary of the State for preparing and
1302 furnishing a copy of any document, instrument or paper filed or
1303 recorded relating to a credit union: (1) For each copy of each document
1304 thereof regardless of the number of pages, twenty dollars; (2) for
1305 affixing the official seal thereto, five dollars.

1306 Sec. 37. (NEW) (*Effective October 1, 2002*) (a) No person shall, or have
1307 the power to, engage in the business of a Connecticut credit union in
1308 this state until such person has obtained a certificate of authority to
1309 engage in the business of a Connecticut credit union from the
1310 Commissioner of Banking.

1311 (b) No person shall use, either as a part of its name or as a prefix or
1312 suffix thereto or as a designation of the business carried on by it, the
1313 phrase "credit union" or "mutual benefit association", except a
1314 Connecticut credit union, a federal credit union or a credit union
1315 otherwise authorized to engage in business in this state under this title.
1316 The provisions of this subsection shall not apply to an association of
1317 credit unions or a credit union service organization located in this
1318 state.

1319 (c) A certificate of authority shall be issued by the Commissioner of
1320 Banking to an applicant meeting the requirements of section 38 of this
1321 act.

1322 (d) A certificate of authority issued under this section may be
1323 revoked by the Commissioner of Banking for cause in accordance with
1324 section 36a-51 of the general statutes, as amended.

1325 Sec. 38. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
1326 union organized under this title shall be subject to the provisions of the
1327 laws of this state governing corporations without capital stock,
1328 provided the provisions of this title shall prevail over any inconsistent
1329 provisions of title 33 of the general statutes.

1330 (b) Seven or more individuals may file with the commissioner an
1331 application to organize a Connecticut credit union, provided each is at
1332 least eighteen years of age. The application shall be in writing and
1333 shall include (1) a proposed certificate of incorporation on a standard
1334 form provided by the Commissioner of Banking, signed and
1335 acknowledged by the organizers either individually or collectively
1336 before an officer competent to administer oaths. The proposed
1337 certificate of incorporation shall specifically state: (A) The name of the
1338 Connecticut credit union; (B) the town in which the main office is to be
1339 located; (C) the name, occupation and residence, post office or business
1340 address of each organizer, proposed director and proposed member of
1341 senior management, provided the organizers, proposed directors and
1342 proposed senior management shall separately file with the
1343 Commissioner of Banking the notice of the residence of each organizer,
1344 proposed director and proposed member of senior management whose
1345 residence address is not included in the proposed certificate of
1346 incorporation; and (D) a statement that the purpose of the Connecticut
1347 credit union is to conduct the business of and to engage in any act or
1348 activity lawful for a Connecticut credit union, or, in the case of a
1349 Connecticut credit union that is organized to provide basic services, a
1350 statement that the purpose of such credit union is to offer basic
1351 services; (2) the proposed bylaws prescribing the manner in which the
1352 business of the Connecticut credit union shall be conducted on a
1353 standard form provided without charge by the Commissioner of
1354 Banking, signed and acknowledged by the organizers either
1355 individually or collectively before an officer competent to administer
1356 oaths; (3) a business plan, including a three-year financial forecast; (4) a
1357 potential member survey; (5) in the case of a proposed Connecticut
1358 credit union the membership of which is limited to persons within a
1359 well-defined community, neighborhood or rural district, evidence to
1360 support a finding of such community, neighborhood or rural district;
1361 and (6) any other information that the Commissioner of Banking may
1362 require.

1363 (c) In connection with an application to organize and at any other

1364 time the Commissioner of Banking requests, each organizer and
1365 director of a Connecticut credit union shall provide fingerprints to the
1366 Commissioner of Banking for use in conducting criminal history
1367 records checks. Such criminal history records checks shall be
1368 conducted in accordance with section 31 of public act 01-175.

1369 (d) (1) Upon the filing of the required application, the
1370 Commissioner of Banking shall investigate the facts and shall
1371 determine whether: (A) The proposed field of membership is favorable
1372 to the success of the Connecticut credit union; (B) the organizers,
1373 proposed directors and proposed members of senior management are
1374 of such character, general fitness and experience as to warrant belief
1375 that the business of the proposed Connecticut credit union will be
1376 conducted honestly and efficiently in accordance with the provisions
1377 of sections 34 to 73, inclusive, of this act; (C) the proposed certificate of
1378 incorporation meets the requirements of this section; and (D) the
1379 proposed credit union provides reasonable promise of successful
1380 operation. In addition to the determinations under this subdivision,
1381 the Commissioner of Banking shall consider the effect of overlapping
1382 fields of membership on the proposed credit union and existing
1383 Connecticut credit unions and federal credit unions. As a condition of
1384 approval of the application, the Commissioner of Banking may require
1385 the proposed Connecticut credit union to limit or eliminate overlaps to
1386 achieve the purposes of sections 34 to 73, inclusive, of this act, and
1387 promote the welfare and stability of those credit unions doing business
1388 in this state.

1389 (2) The Commissioner of Banking shall not issue a certificate of
1390 authority to engage in the business of a Connecticut credit union if, in
1391 the opinion of the Commissioner of Banking, the name selected would
1392 tend to confuse the public.

1393 (3) If the Commissioner of Banking determines that the foregoing
1394 requirements are satisfied, and that the proposed Connecticut credit
1395 union will have its shares and deposits insured by the National Credit
1396 Union Administration, or its successor agency, the Commissioner of

1397 Banking shall issue a certificate of authority to engage in the business
1398 of a Connecticut credit union. One original of the certificate of
1399 incorporation and one original of the certificate of authority shall be
1400 filed by the Connecticut credit union with the Secretary of the State.
1401 When the certificate of incorporation and certificate of authority are
1402 filed with the Secretary of the State in accordance with the provisions
1403 of this subsection, the Connecticut credit union shall become a
1404 corporation and its corporate existence shall continue perpetually
1405 unless otherwise expressly provided by law.

1406 (e) Within a reasonable time after issuance of the certificate of
1407 authority by the Commissioner of Banking, the organizers shall hold
1408 an organization meeting at which they shall elect directors, who
1409 thereafter shall elect officers, appoint committee members, adopt the
1410 bylaws, and conduct any other business necessary to complete the
1411 organization of the Connecticut credit union. The Connecticut credit
1412 union shall complete such organization and shall commence business
1413 within six months from the issuance of the certificate of authority by
1414 the Commissioner of Banking or such certificate of authority shall be
1415 void. The Commissioner of Banking may, upon the application of the
1416 organizers and for good cause shown, grant a Connecticut credit union
1417 a reasonable extension of time to complete such organization and
1418 commence business. A Connecticut credit union shall not commence
1419 business until its shares and deposits are insured by the National
1420 Credit Union Administration or its successor agency, and it has been
1421 bonded by a surety company authorized to do business in this state to
1422 the same extent such bonding is required by 12 CFR Part 713, as from
1423 time to time amended.

1424 (f) Seven or more individuals may organize a Connecticut credit
1425 union that provides basic services in accordance with this section,
1426 except a Connecticut credit union the membership of which is limited
1427 to persons within a well-defined community, neighborhood or rural
1428 district. In order to expedite the issuance of a certificate of authority,
1429 the Commissioner of Banking shall provide, without charge, to such
1430 organizers: (1) A model business plan for basic services; (2) policy

1431 guidelines concerning shares, lending, investments and other credit
1432 union business activities; and (3) sample letters for sponsor support,
1433 grants and nonmember deposits, where applicable. If the
1434 Commissioner of Banking makes the determinations required by
1435 subsection (d) of this section, the Commissioner of Banking shall issue
1436 a certificate of authority to engage in the business of a Connecticut
1437 credit union, with the express restriction that such credit union may
1438 offer only basic services. Any credit union organized pursuant to this
1439 subsection may upon the approval of the Commissioner of Banking,
1440 convert to a Connecticut credit union operating without the
1441 restrictions provided in its certificate of authority. A credit union that
1442 proposes to convert shall file with the Commissioner of Banking a
1443 proposed plan of conversion, including a new business plan, an
1444 original certificate of amendment to its certificate of incorporation and
1445 a certificate by the secretary of the converting credit union that the
1446 proposed plan of conversion and proposed certificate of amendment to
1447 its certificate of incorporation have been approved by a majority of the
1448 governing board of the converting credit union. The Commissioner of
1449 Banking shall approve a conversion under this subsection if the
1450 Commissioner of Banking determines that: (A) The converting credit
1451 union has complied with all applicable provisions of law; (B) the
1452 converting credit union has net worth in the amount required by the
1453 Commissioner of Banking; (C) the converting credit union has received
1454 satisfactory ratings in its most recent safety and soundness
1455 examination; and (D) the proposed conversion will serve the necessity
1456 and convenience of the members of the converting credit union. After
1457 receipt of the Commissioner of Banking's approval, the converting
1458 credit union shall promptly file such approval and the certificate of
1459 amendment to its certificate of incorporation with the Secretary of the
1460 State. Upon such filing, the converting credit union shall be a
1461 Connecticut credit union subject to all the requirements and limitations
1462 and possessed of all rights, privileges and powers granted to it by its
1463 certificate of incorporation and by the provisions of sections 34 to 73,
1464 inclusive, of this act, and shall be subject to all of the duties, relations,
1465 obligations, trusts and liabilities of a Connecticut credit union. As used

1466 in this section, "basic services" means the issuance of regular shares,
1467 the making of signature loans not exceeding amounts predetermined
1468 by the Commissioner of Banking, the making of participation loans as
1469 a participant in an amount specified by the Commissioner of Banking,
1470 the sale of money orders and travelers checks, and the issuance and
1471 redemption of savings bonds.

1472 (g) (1) The certificate of incorporation of a Connecticut credit union
1473 may, with the approval of the Commissioner of Banking, be amended
1474 at any time by the adoption at a meeting of an amendment resolution
1475 by two-thirds of the directors of the credit union. Written notice of
1476 such meeting, together with the text of the proposed amendment shall
1477 be given to each director at least seven days prior to the meeting.

1478 (2) An original certificate of amendment shall be filed with the
1479 Commissioner of Banking. The certificate of amendment shall set forth:
1480 (A) The name of the Connecticut credit union; (B) the amendment; and
1481 (C) a statement of the number of directors' votes required to take such
1482 action and the number of votes cast in favor of the amendment.

1483 (3) The Commissioner of Banking, upon determining that the
1484 certificate of incorporation, as amended, meets the requirements of
1485 sections 34 to 73, inclusive, of this act, shall endorse the Commissioner
1486 of Banking's approval thereon, and return the original certificate of
1487 amendment to the Connecticut credit union. Upon receipt of the
1488 certificate of amendment, the Connecticut credit union shall file the
1489 original certificate of amendment with the Secretary of the State, and
1490 such amendment shall become effective upon filing.

1491 (h) (1) The bylaws of a Connecticut credit union shall specify at least
1492 the following: (A) The name of the credit union; (B) the field of
1493 membership of the credit union and the qualifications for membership;
1494 (C) the par value of shares; (D) the number and terms of directors
1495 including directors emeritus and advisory directors, if applicable, and
1496 procedures for their election; (E) the duties of the members of senior
1497 management; (F) the manner in which a credit committee, credit

1498 manager, loan officer or any combination thereof shall be responsible
1499 for the credit functions of the credit union; (G) the manner of
1500 conducting the annual meeting and the provisions for voting; (H)
1501 conditions for payment on, receipt of or withdrawal of shares and
1502 deposits; and (I) such other matters as the governing board deems
1503 necessary.

1504 (2) The bylaws of a Connecticut credit union may not be amended
1505 without the written approval of the Commissioner of Banking for a
1506 period of three years following issuance by the Commissioner of
1507 Banking of the certificate of authority to engage in the business of a
1508 Connecticut credit union. Thereafter, the bylaws of a Connecticut
1509 credit union may be amended in accordance with subdivision (3) of
1510 this subsection, provided the bylaws comply with this subdivision,
1511 and any such amendment changing the name of the credit union or the
1512 field of membership of the credit union shall require the written
1513 approval of the Commissioner of Banking in accordance with
1514 subdivision (3) of this subsection. The Commissioner of Banking's
1515 approval shall not be required to amend the field of membership of a
1516 Connecticut credit union with a multiple common bond membership
1517 to add a group of less than five hundred potential members, excluding
1518 members of the immediate family or household of a potential member.

1519 (3) The bylaws may be amended by the adoption at a meeting of an
1520 amendment resolution by two-thirds of the directors of the credit
1521 union. Written notice of the meeting and text of the proposed
1522 amendment shall be given to each director at least seven days prior to
1523 the meeting. The Connecticut credit union shall file with the
1524 Commissioner of Banking, within ten days after its adoption, one copy
1525 of any proposed amendment on a form provided by the Commissioner
1526 of Banking. In the case of a proposed amendment requiring the
1527 Commissioner of Banking's approval, the Commissioner of Banking
1528 shall, within thirty days after such filing, determine whether such
1529 proposed amendment is consistent with the provisions and purposes
1530 of sections 34 to 73, inclusive, of this act. The Commissioner of
1531 Banking, upon determining that such proposed amendment satisfies

1532 the requirements of said sections 34 to 73, inclusive, shall endorse the
1533 Commissioner of Banking's approval on such proposed amendment,
1534 and return one copy thereof to the Connecticut credit union.

1535 (4) Any amendment to the bylaws of a Connecticut credit union
1536 shall become effective when adopted except amendments requiring the
1537 approval of the Commissioner of Banking which shall become effective
1538 upon such approval.

1539 Sec. 39. (NEW) (*Effective October 1, 2002*) (a) (1) Except as provided
1540 in subdivision (2) of this subsection, the field of membership of a
1541 Connecticut credit union is limited to (A) a single common bond
1542 membership, (B) a multiple common bond membership, or (C) persons
1543 within a well-defined community, neighborhood or rural district.

1544 (2) The field of membership of a Connecticut credit union may
1545 include (A) members of the immediate family or household of all
1546 persons included under subparagraphs (A), (B) and (C) of subdivision
1547 (1) of this subsection, (B) organizers and employees of such credit
1548 union, (C) any advisory director of such credit union, (D) the surviving
1549 spouse of a deceased member of such credit union, and (E)
1550 notwithstanding any change in employment, occupation, residence or
1551 other condition initially controlling the eligibility for membership in
1552 any Connecticut credit union, any person properly admitted to
1553 membership in a Connecticut credit union. Such person may continue
1554 membership therein during such person's lifetime. The field of
1555 membership of a Connecticut credit union under subparagraphs (A)
1556 and (B) of subdivision (1) of this subsection may include associations
1557 and organizations of individuals who are members of such credit
1558 union, partnerships in which the majority of the partners are
1559 individuals who are members of such credit union and, corporations in
1560 which the majority of whose shareholders are individuals who are
1561 members of such credit union.

1562 (b) Notwithstanding the provisions of subsection (a) of this section,
1563 the Commissioner of Banking may authorize a Connecticut credit

1564 union with a multiple common bond membership to include in its field
1565 of membership any person within a well-defined community,
1566 neighborhood or rural district if:

1567 (1) The Commissioner of Banking determines that the well-defined
1568 community, neighborhood or rural district is (A) an investment area,
1569 as defined in Section 103(16) of the Community Development Banking
1570 and Financial Institutions Act of 1994, 12 USC Section 4702(16), and
1571 meets any additional requirements that the Commissioner of Banking
1572 may impose; and (B) underserved by other depository institutions, as
1573 defined in Section 19(b)(1)(A) of the Federal Reserve Act, 12 USC
1574 Section 461(b), based on data of the Commissioner of Banking and
1575 federal supervisory agencies;

1576 (2) The Connecticut credit union establishes and maintains a main
1577 office or branch in the well-defined community, neighborhood or rural
1578 district at which credit union services are available; and

1579 (c) Any Connecticut credit union that is so authorized to expand its
1580 field of membership under subsection (b) of this section continues as a
1581 Connecticut credit union whose field of membership is limited to a
1582 multiple common bond membership.

1583 (d) (1) The Commissioner of Banking may not approve an
1584 amendment to the bylaws of a Connecticut credit union with a
1585 multiple common bond membership to expand its field of membership
1586 to add a group of five hundred or more potential members, excluding
1587 individuals who are potentially eligible as members of the immediate
1588 family or household of a potential member, or persons within a well-
1589 defined community, neighborhood or rural district, unless the
1590 Commissioner of Banking determines in writing that (A) the
1591 Connecticut credit union has not engaged in any material unsafe or
1592 unsound practice during the one-year period preceding the date on
1593 which the proposed amendment is filed with the Commissioner of
1594 Banking, (B) the Connecticut credit union is adequately capitalized, (C)
1595 the Connecticut credit union has the administrative capability to serve

1596 the proposed membership group and the financial resources to meet
1597 the need for additional staff and assets to serve the new membership
1598 group, (D) any potential harm that the expansion of the field of
1599 membership of the Connecticut credit union may have on any other
1600 Connecticut credit union and its members is clearly outweighed in the
1601 public interest by the probable beneficial effect of the expansion in
1602 meeting the convenience and needs of the members of the group
1603 proposed to be included in the field of membership, and (E) formation
1604 of a separate credit union by the group proposed to be included is not
1605 practicable and consistent with reasonable safety and soundness
1606 standards. A Connecticut credit union whose field of membership is
1607 limited to a single common bond membership or multiple common
1608 bond membership that acquires as potential members persons within a
1609 well-defined community, neighborhood or rural district, other than the
1610 well-defined community, neighborhood or rural district specified in
1611 subdivision (1) of subsection (b) of this section, by merger, expansion
1612 or otherwise, shall become a Connecticut credit union whose field of
1613 membership is limited to persons within a well-defined community,
1614 neighborhood or rural district.

1615 (2) The Commissioner of Banking may withhold or condition an
1616 approval of an amendment to the bylaws sought by a community
1617 credit union, as defined in section 2 of public act 01-9, as amended by
1618 this act, under this subsection pursuant to the provisions of section 6 of
1619 public act 01-9, as amended by this act.

1620 (3) The Commissioner of Banking may approve an amendment to
1621 the bylaws of a Connecticut credit union to change the field of
1622 membership without regard for the common bond whenever the
1623 Commissioner of Banking determines that continued operation of the
1624 Connecticut credit union without the proposed amendment may result
1625 in liquidation or merger of such credit union.

1626 Sec. 40. (NEW) (*Effective October 1, 2002*) (a) All applications for
1627 membership shall be submitted to the Connecticut credit union. The
1628 governing board at a regular meeting shall consider and act upon the

1629 membership applications received by the Connecticut credit union
1630 subsequent to the previous regular meeting or such applications may
1631 be considered and acted upon by the membership officer, if one is
1632 appointed by the governing board.

1633 (b) The governing board may expel any member who has not
1634 carried out such member's obligations to the Connecticut credit union
1635 or who has failed to comply with such credit union's bylaws. No
1636 member may be expelled by the governing board until such member
1637 has been informed in writing of the charges against such member and
1638 has had a reasonable opportunity to be heard thereon.

1639 (c) A Connecticut credit union may cancel the shares of any member
1640 who is expelled, applying the value thereof to such member's
1641 indebtedness to the Connecticut credit union. A member of a
1642 Connecticut credit union who has been expelled shall not be relieved
1643 of any liability to the Connecticut credit union. The Connecticut credit
1644 union shall repay the amounts paid in on shares by expelled members,
1645 together with any dividends credited to the member's shares, in the
1646 order of the member's expulsion, as funds become available therefor,
1647 except that the Connecticut credit union may deduct from such
1648 payments any sums due it from such member.

1649 Sec. 41. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
1650 union shall hold an annual meeting as provided in its bylaws. Special
1651 meetings of members shall be held as provided in the bylaws and shall
1652 be called by the governing board at the request of a majority of the
1653 governing board, at the written request of the supervisory committee,
1654 or ten per cent of the members of the credit union or such lesser
1655 percentage of such members as provided in the bylaws.

1656 (b) Notice of each annual or special meeting shall be given to each
1657 member in writing by the secretary at least ten days prior to the annual
1658 or special meeting. In the case of a special meeting, the notice shall
1659 clearly state the purpose of the meeting and the matters that will be
1660 considered.

1661 (c) (1) Each member in good standing shall have a single vote at all
1662 meetings notwithstanding the number of shares or number of accounts
1663 that such member holds.

1664 (2) A member may not vote or hold office if the member is less than
1665 eighteen years of age.

1666 (3) Unless provided otherwise in the bylaws, a member entitled to
1667 vote may vote in person, by proxy or by mail ballot.

1668 Sec. 42. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
1669 union shall submit a written report to the Commissioner of Banking
1670 annually on February first and August first and otherwise as often as
1671 the Commissioner of Banking deems necessary. The report shall be in
1672 the form prescribed by the Commissioner of Banking, list the assets
1673 and liabilities of the Connecticut credit union and contain any other
1674 information the Commissioner of Banking may require. The
1675 Connecticut credit union shall also provide the Commissioner of
1676 Banking with such other reports and information as may be required
1677 by the Commissioner of Banking. Each Connecticut credit union that
1678 fails to file any report or information required by this section shall pay
1679 to the Commissioner of Banking one hundred dollars for each day that
1680 it fails to file such report or information.

1681 (b) A Connecticut credit union shall file with the Commissioner of
1682 Banking, within ten business days after the organization meeting and
1683 after each annual meeting, a list of the names and addresses of all
1684 members of the governing board, identifying which members are
1685 officers, the members of the credit committee, if applicable, and the
1686 members of the supervisory committee, identifying the chairperson of
1687 each such committee. The Connecticut credit union shall notify the
1688 Commissioner of Banking within ten business days after any changes
1689 to the list which occur therein.

1690 (c) A Connecticut credit union that is required under federal law to
1691 submit a net worth restoration plan to the National Credit Union
1692 Administration or its successor agency shall simultaneously submit a

1693 final signed copy of such plan to the Commissioner of Banking.

1694 (d) A Connecticut credit union shall establish and maintain records,
1695 accounting systems and procedures which accurately reflect its
1696 operations and which enable the Commissioner of Banking to readily
1697 ascertain the true financial condition of the credit union and whether
1698 such credit union is complying with sections 34 to 73, inclusive, of this
1699 act.

1700 (e) A Connecticut credit union shall preserve all of its records in
1701 accordance with regulations adopted by the Commissioner of Banking
1702 pursuant to chapter 54 of the general statutes.

1703 Sec. 43. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
1704 union shall establish and maintain an allowance for loan and lease
1705 losses account in an amount that represents the estimated losses on
1706 loans and leases. The allowance for loan and lease losses account
1707 requirement shall be computed and adjusted, through the provision
1708 for loan and lease losses account, prior to the declaration or payment
1709 of dividends.

1710 (b) A Connecticut credit union shall contribute from its earnings, as
1711 net worth, the greater of (1) such amounts as may be required by 12
1712 CFR Part 702, as from time to time amended, or (2) amounts in
1713 accordance with the following schedule: (A) In the case of a
1714 Connecticut credit union in existence for more than four years and
1715 having assets of two million dollars or more, ten per cent of its gross
1716 income until its net worth equals four per cent of total assets, then five
1717 per cent of gross income until its net worth equals six per cent of total
1718 assets; and (B) in the case of a Connecticut credit union in existence for
1719 four years or less or a Connecticut credit union having assets of less
1720 than two million dollars, ten per cent of its gross income until its net
1721 worth equals seven and one-half per cent of total assets, then five per
1722 cent of its gross income until its net worth equals ten per cent of total
1723 assets.

1724 (c) The Commissioner of Banking may increase the net worth

1725 requirement of any Connecticut credit union set forth in subsection (b)
1726 of this section when the Commissioner of Banking deems it necessary
1727 to protect the safety and soundness of such Connecticut credit union.

1728 (d) Whenever the net worth falls below the applicable percentages
1729 of total assets specified in subsection (b) of this section, the Connecticut
1730 credit union shall make regular contributions in such amounts as
1731 specified in subsection (b) of this section as may be needed to maintain
1732 such net worth. Such contributions shall be made prior to the
1733 declaration or payment of dividends.

1734 (e) As used in this section, the term "net worth" means the retained
1735 earnings balance of the Connecticut credit union at the end of each
1736 dividend period, excluding the allowance for loan and lease losses
1737 account and, in the case of a Connecticut credit union designated by
1738 the National Credit Union Administration as a low-income credit
1739 union under 12 CFR 701.34, as from time to time amended, net worth
1740 includes any secondary capital account that is uninsured and
1741 subordinate to all other claims, including claims of creditors,
1742 shareholders and the National Credit Union Share Insurance Fund.
1743 Retained earnings shall consist of undivided earnings, as determined
1744 under generally accepted accounting principles, regular reserves and
1745 other appropriations designated by the Commissioner of Banking or
1746 the National Credit Union Administration, or its successor agency, or
1747 by the governing board of the Connecticut credit union with the
1748 approval of the Commissioner of Banking.

1749 Sec. 44. (NEW) (*Effective October 1, 2002*) (a) The funds of a
1750 Connecticut credit union shall be deposited in the name of the credit
1751 union only in such depository or depositories as designated by the
1752 governing board, in accordance with section 60 of this act, and no
1753 withdrawal of such funds shall be made unless the check or order
1754 withdrawing such funds is signed by a director or member of senior
1755 management designated by the governing board.

1756 (b) Every director, supervisory committee member, credit

1757 committee member if applicable, and every employee of a Connecticut
1758 credit union who has charge or possession of the funds, securities or
1759 other assets of the Connecticut credit union, shall be bonded by a
1760 surety company authorized to do business in this state to the same
1761 extent as such bonding is required by 12 CFR Part 713, as from time to
1762 time amended. Such bond shall be in favor of the Connecticut credit
1763 union. A copy of each such bond and any renewal thereof shall be
1764 promptly filed by the Connecticut credit union with the Commissioner
1765 of Banking.

1766 Sec. 45. (NEW) (*Effective October 1, 2002*) (a) The governing board of
1767 a Connecticut credit union shall be charged with and have control over
1768 the general management of the operations, funds, committee actions
1769 and records of the credit union. Except to the extent the governing
1770 board is otherwise authorized to delegate such authority or unless
1771 such action would be detrimental to the financial integrity of the
1772 Connecticut credit union, the governing board shall: (1) Establish and
1773 adopt written policies necessary to implement the powers of the credit
1774 union, which policies shall be approved and reviewed on at least an
1775 annual basis, including policies governing: (A) Lending in accordance
1776 with sections 57, 58 and 59 of this act, (B) investments in accordance
1777 with subsection (a) of section 60 of this act, (C) employment and
1778 personnel, (D) funds management, (E) collections, (F) charge-offs, (G)
1779 conditions of membership, and expulsion of members in accordance
1780 with subsection (b) of section 40 of this act, (H) charitable
1781 contributions, and (I) conflicts of interest in accordance with sections
1782 51 and 59 of this act; (2) make adequate provision for an allowance for
1783 investment losses account in accordance with generally accepted
1784 accounting principles and for an allowance for a loan and lease losses
1785 account in accordance with generally accepted accounting principles
1786 and section 43 of this act; (3) declare dividends in accordance with
1787 sections 43 and 56 of this act; (4) authorize interest refunds to
1788 members; (5) determine the maximum amount of shares that a
1789 member may own; (6) establish different classes of share accounts,
1790 including special purpose accounts, classified according to different

1791 rights and restrictions; (7) appoint and authorize members of senior
1792 management to conduct and supervise the business of the Connecticut
1793 credit union and to approve all usual expenditures incident to the
1794 conduct of the business of the Connecticut credit union; (8) cause to be
1795 obtained and maintained in full force and effect at all times the bond
1796 required by subsection (e) of section 38 of this act, and subsection (b) of
1797 section 44 of this act; (9) approve loans in accordance with the bylaws
1798 of the Connecticut credit union and cause to be prepared each month
1799 and maintained on file in the main office of the Connecticut credit
1800 union a list of all delinquent loans; (10) authorize any extraordinary
1801 expenditures necessary or appropriate for the conduct of the business
1802 of the Connecticut credit union; (11) establish a supervisory committee
1803 and appoint its members and may establish and appoint members to
1804 other committees consistent with its bylaws to carry out the business of
1805 the credit union, which committees shall keep complete minutes of all
1806 actions taken; (12) fill any vacancies that may arise among the
1807 directors, senior management or members of board-appointed
1808 committees, in accordance with this section and in the manner
1809 provided in the bylaws; and (13) exercise such other authority and
1810 perform such other duties as prescribed by sections 34 to 73, inclusive,
1811 of this act and the bylaws.

1812 (b) The governing board of a Connecticut credit union shall consist
1813 of an odd number of directors, at least five in number. The initial
1814 governing board shall be elected at the organization meeting of the
1815 Connecticut credit union as provided in subsection (e) of section 38 of
1816 this act, and thereafter by the members of the Connecticut credit union
1817 at the annual meeting as provided in section 41 of this act. Any
1818 director elected or appointed to serve on the governing board of a
1819 troubled Connecticut credit union shall be approved by the
1820 Commissioner of Banking prior to any such service. For the purposes
1821 of this subsection, "troubled Connecticut credit union" means any
1822 Connecticut credit union that, in the written opinion of the
1823 Commissioner of Banking is (1) in danger of becoming insolvent, (2)
1824 not likely to be able to meet the demands of its members, or pay its

1825 obligations in the normal course of business or is likely to incur losses
1826 that may deplete all or substantially all of its capital, or (3) being
1827 operated in an unsafe and unsound manner.

1828 (c) Each director shall hold office for the term provided in the
1829 bylaws, except that the term may not exceed three years as long as the
1830 director is qualified to serve under subsection (e) of this section and
1831 until the director's successor has qualified. A director may serve more
1832 than one term. If directors are elected for terms in excess of one year,
1833 their terms of office shall be staggered so that, insofar as possible, an
1834 equal number of such terms shall expire each year.

1835 (d) Each director shall take and subscribe to an oath or affirmation
1836 that the director (1) will diligently and honestly perform the duties of
1837 director in administering the affairs of the Connecticut credit union; (2)
1838 will remain responsible for the performance of the duties of director
1839 even if the director delegates the performance of such duties; and (3)
1840 will not knowingly or wilfully permit the violation of any law or
1841 regulation applicable to credit unions.

1842 (e) No person shall be qualified to serve as a director of a
1843 Connecticut credit union if such person (1) is not a member in good
1844 standing; (2) has been found liable on any claim or convicted of any
1845 offense involving dishonesty or breach of trust; (3) has been removed
1846 by any state or federal regulatory agency from office as a director,
1847 officer or employee of a financial institution; (4) is not eligible for
1848 coverage under the surety bond required by subsection (a) of this
1849 section and section 44 of this act; or (5) has habitually neglected to pay
1850 debts or has become insolvent or bankrupt, unless the governing board
1851 of such credit union determines in writing that it would be in the best
1852 interests of the credit union for such person to be so qualified to serve
1853 as director.

1854 (f) No director of a Connecticut credit union may receive
1855 compensation for services as a member of the governing board and no
1856 member of a board-appointed committee of such Connecticut credit

1857 union shall receive compensation for services as a member of such
1858 committee, except a member of the supervisory committee may be
1859 compensated for the time actually spent performing audits and
1860 verifications.

1861 (g) In accordance with the bylaws of a Connecticut credit union, the
1862 officers of such credit union shall be members of the governing board
1863 who are elected by members of the governing board. The chairperson
1864 and vice chairperson shall not hold more than one office at a time. The
1865 duties of the officers shall be set forth in the bylaws.

1866 (h) (1) The governing board of a Connecticut credit union may fix
1867 the compensation of the employees of such credit union.

1868 (2) The directors, board-appointed committee members and
1869 members of senior management of a Connecticut credit union may be
1870 reimbursed for reasonable and necessary out-of-pocket expenses
1871 actually incurred and paid in the performance of their official duties.

1872 (i) (1) The governing board of a Connecticut credit union shall
1873 remove, by a two-thirds vote of its members at a regular or special
1874 meeting, a director or a board-appointed committee member who fails,
1875 without good cause, to attend three consecutive meetings of the
1876 governing board or committee or one-half of such meetings held
1877 during a calendar year, who is no longer qualified under subsection (e)
1878 of this section, or for any of the causes enumerated and in accordance
1879 with subdivision (2) of this subsection.

1880 (2) The governing board of a Connecticut credit union shall have the
1881 power to suspend at any time, by a two-thirds vote of its members, at a
1882 regular or special meeting, any director or member of a board-
1883 appointed committee for good cause, including, but not limited to, (A)
1884 a violation of any statute, regulation or order applicable to such credit
1885 union; (B) participation in any unsafe or unsound practice in
1886 connection with such credit union; (C) commission of or participation
1887 in a crime which is punishable by imprisonment for a term exceeding
1888 one year under state or federal law, as charged in any information,

1889 indictment or complaint, and if continued service or participation by
1890 such director or member may pose a threat to the interests of members
1891 of such credit union; (D) failure to perform such director's or member's
1892 duties or breach of such director's or member's fiduciary duty; (E) use
1893 of such director's or member's official position in a manner contrary to
1894 the interests of such credit union or its members; and (F) breach of a
1895 written agreement with the Commissioner of Banking. The suspension
1896 shall take effect immediately and the Commissioner of Banking shall
1897 be notified promptly of such suspension. Within seven business days
1898 after the effective date of the suspension, the governing board shall
1899 cause notice to be given to all members of the Connecticut credit union
1900 of a special meeting of members to be held for the purpose of hearing
1901 the report of the governing board regarding the suspension and voting
1902 on removal, provided such notice shall not be given if the director or
1903 member of a board-appointed committee who is subject to suspension
1904 resigns. The special meeting shall be held no more than twenty-one
1905 business days after the effective date of the suspension. The
1906 membership of the Connecticut credit union shall have, by majority
1907 vote, the authority to accept or reject the report of the governing board.
1908 The governing board shall take any action with respect thereto as the
1909 members deem necessary. If such action involves removal, the credit
1910 union shall promptly notify the Commissioner of Banking of such
1911 removal.

1912 (j) (1) A vacancy on the governing board that exists due to the death,
1913 resignation or removal of a director shall be filled by majority vote of
1914 the remaining directors, regardless of whether the remaining directors
1915 constitute a quorum. A director elected by the governing board to fill a
1916 vacancy shall hold office until the next annual meeting, at which time
1917 the members of the credit union shall vote to fill the remainder of the
1918 unexpired term.

1919 (2) A vacancy on the governing board that exists due to the
1920 expiration of the term of a director shall be filled by the appointment
1921 of a successor director by the secretary unless there are a greater
1922 number of candidates than vacancies to be filled, in which case the

1923 vacancies shall be filled by a vote of the members of the Connecticut
1924 credit union.

1925 (k) (1) If the bylaws so provide, the governing board may appoint
1926 advisory directors to serve at the pleasure of such governing board to
1927 advise and consult with the board in carrying out the board's duties
1928 and responsibilities. An advisory director need not be eligible for
1929 membership in the credit union, shall not be a member of the
1930 governing board, and shall not be entitled to vote on any matter before
1931 the board. An advisory director may participate in any governing
1932 board or committee deliberation, but shall not make any motions.

1933 (2) If the bylaws so provide, the governing board may appoint
1934 directors emeritus to serve at the pleasure of the governing board to
1935 advise and consult with the governing board in carrying out the
1936 board's duties and responsibilities. A director emeritus shall be a
1937 member of the credit union and shall not be an officer of the credit
1938 union, participate in any governing board or committee deliberations,
1939 make motions or vote on any matter before the governing board.

1940 (3) The number of advisory directors and directors emeritus and
1941 their qualifications shall be specified for in the bylaws.

1942 Sec. 46. (NEW) (*Effective October 1, 2002*) (a) The governing board of
1943 a Connecticut credit union shall meet as often as necessary and at least
1944 monthly, provided if the governing board delegates its authority to an
1945 executive committee, one body shall meet at least monthly and the
1946 other at least quarterly, as provided in the bylaws. The governing
1947 board shall keep complete minutes of all of its meetings which shall
1948 include the names of all directors present at each meeting.

1949 (b) Unless the bylaws provide otherwise, the governing board may
1950 permit any and all directors to participate in all except one meeting per
1951 year of the governing board through the use of any means of
1952 communication by which all directors participating in the meeting
1953 may simultaneously hear each other and communicate during the
1954 meeting. A director participating in a meeting by this means is deemed

1955 to be present at the meeting.

1956 (c) At the meeting of the governing board following the annual
1957 meeting of members, the governing board shall elect officers of the
1958 governing board and appoint committee members.

1959 (d) Unless a greater number is required by the bylaws, a majority of
1960 the governing board shall constitute a quorum. The act of a majority of
1961 the directors present at a meeting at which a quorum is present shall
1962 be the act of the governing board unless the act of a greater number is
1963 required by sections 34 to 73, inclusive, of this act, or the bylaws of the
1964 credit union.

1965 Sec. 47. (NEW) (*Effective October 1, 2002*) (a) The executive
1966 committee, if one is appointed by the governing board, shall consist of
1967 an odd number of not less than three directors of the Connecticut
1968 credit union.

1969 (b) The executive committee shall meet in accordance with section
1970 46 of this act, and as often as necessary and shall act for the governing
1971 board between meetings of the governing board, in all other matters
1972 except for approval of policies, subject to such conditions and
1973 limitations as prescribed by the governing board.

1974 (c) The executive committee shall keep complete minutes of all of its
1975 actions, copies of which shall be submitted to the governing board at
1976 its next meeting.

1977 Sec. 48. (NEW) (*Effective October 1, 2002*) (a) The supervisory
1978 committee shall consist of not less than three members of the
1979 Connecticut credit union, none of whom shall simultaneously serve on
1980 the credit committee or as an officer of the Connecticut credit union or
1981 be otherwise regularly employed by such credit union, and only one of
1982 whom shall simultaneously serve as a director of the Connecticut
1983 credit union, and all of whom shall be annually appointed by the
1984 governing board and be members in good standing. The supervisory
1985 committee shall be responsible for ensuring that members of senior

1986 management and directors meet required financial reporting objectives
1987 and establish practices and procedures sufficient to safeguard
1988 members' assets. To meet its responsibilities, the supervisory
1989 committee shall determine whether internal controls are established
1990 and effectively maintained, accounting records and financial reports
1991 are promptly prepared and accurate, relevant plans, policies and
1992 procedures established by the governing board are properly
1993 administered, and the governing board's plans, policies, and control
1994 procedures are sufficient to safeguard against error, carelessness,
1995 conflict of interest, self-dealing and fraud.

1996 (b) The supervisory committee shall have the sole authority to
1997 engage or terminate outside and internal auditors. Upon authorization
1998 of the expenses by the governing board, the supervisory committee
1999 may engage any assistance necessary for the performance of its duties,
2000 including having any audit, examination or verification required by
2001 law, regulation or bylaw. Any agreement between the supervisory
2002 committee and an outside auditor shall be documented by an
2003 engagement letter that specifies the terms, conditions and objectives of
2004 the engagement or statement of agreed upon procedures in accordance
2005 with this subsection. The supervisory committee shall make or cause to
2006 be made a comprehensive annual audit of the books and affairs of the
2007 Connecticut credit union, including its assets, liabilities, capital,
2008 income and expense accounts and the minutes of all governing board
2009 and board-appointed committee meetings. Such audit shall cover the
2010 period elapsed since the last audit. Any compensated outside auditors
2011 performing audits for the supervisory committee shall be independent
2012 of the credit union's employees, members of the governing board,
2013 member of any board-appointed committee, the credit manager and
2014 loan officers and members of the immediate families of any of the
2015 above. The annual audit shall meet the following minimum guidelines:

2016 (1) A Connecticut credit union with total assets of three hundred
2017 million dollars or more shall have an opinion audit of the credit
2018 union's financial statement performed by an independent licensed
2019 public or certified public accountant; and

2020 (2) A Connecticut credit union with total assets of less than three
2021 hundred million dollars shall have:

2022 (A) An opinion audit of its financial statements performed by an
2023 independent licensed public or certified public accountant;

2024 (B) An agreed upon procedures engagement performed by a person
2025 having adequate technical training and proficiency as an auditor
2026 commensurate with the level of sophistication and complexity of the
2027 credit union under audit, provided if such engagement is not
2028 comprehensive, the supervisory committee shall satisfy any remaining
2029 requirements of a comprehensive audit in accordance with this
2030 subsection; or

2031 (C) A comprehensive audit performed by the supervisory
2032 committee or the credit union's internal auditors or the internal auditor
2033 of another financial institution.

2034 (c) The supervisory committee shall perform or cause to be
2035 performed a verification of members' accounts at least once every two
2036 years through:

2037 (1) Verification of share and loan accounts of all members;

2038 (2) Statistical sampling of member share and loan accounts done in
2039 connection with an opinion audit of the financial statements
2040 performed by an independent licensed public or certified public
2041 accountant; or

2042 (3) A statistical sampling method that results in a random selection
2043 that is representative of the membership.

2044 (d) The supervisory committee shall make any additional audits and
2045 supplemental verifications and examinations of the affairs of the
2046 Connecticut credit union that it deems appropriate, or that the
2047 governing board or Commissioner of Banking requires.

2048 (e) Promptly following the completion of an audit or other

2049 verification or examination, the supervisory committee shall (1) file a
2050 written report at the main office of the Connecticut credit union; (2)
2051 present the report to the governing board at its next meeting, and a
2052 summary thereof to the members at the next annual meeting or if the
2053 audit was not performed by the supervisory committee, the outside
2054 auditor shall present the report or summary thereof; and (3) file a copy
2055 of the written report with the Commissioner of Banking.

2056 (f) The supervisory committee shall provide related working papers,
2057 policies and procedures concerning the annual audit, internal audit,
2058 examination and verification to the Commissioner of Banking, upon
2059 the Commissioner of Banking's request, and shall require any
2060 independent licensed or certified public accountant, internal auditor or
2061 any other auditor to provide such related working papers, policies and
2062 procedures concerning the annual audit, internal audit, examination
2063 and verification to the Commissioner of Banking, upon the
2064 Commissioner of Banking's request. The governing board shall require
2065 that the auditor submit to such board a signed report of the audit or
2066 examination showing the condition of the Connecticut credit union
2067 within a reasonable period of time from the effective date of the audit
2068 or examination.

2069 (g) At any time that the supervisory committee discovers any
2070 operating practices of the Connecticut credit union that it deems
2071 unsafe which have not been corrected by the governing board, the
2072 supervisory committee shall give notice to all credit union members of
2073 a special meeting of members to be held for the purpose of receiving
2074 the report of the supervisory committee of such operating practices.
2075 The membership of the Connecticut credit union shall have, by
2076 majority vote, the authority to accept or reject the report of the
2077 supervisory committee. The supervisory committee shall take any
2078 action the members deem necessary.

2079 (h) The supervisory committee shall meet as often as necessary and
2080 at least annually and shall keep complete minutes of all of its meetings,
2081 including the names of those members present.

2082 (i) The supervisory committee shall have the power to suspend at
2083 any time, by a two-thirds vote of its members at a meeting called for
2084 that purpose, any director or employee of the Connecticut credit union
2085 or any member of a board-appointed committee for cause. The
2086 suspension shall take effect immediately and the Commissioner of
2087 Banking shall be notified promptly of such suspension. Not later than
2088 seven business days after the effective date of the suspension, the
2089 supervisory committee shall cause notice to be given to all members of
2090 the Connecticut credit union of a special meeting of members to be
2091 held for the purpose of hearing the report of the supervisory
2092 committee regarding the suspension and voting on removal, provided
2093 such notice shall not be given if the director, employee or member of a
2094 board-appointed committee who is subject to suspension resigns. The
2095 special meeting shall be held no more than twenty-one business days
2096 after the date of suspension. The membership of the Connecticut credit
2097 union shall have, by majority vote, the authority to accept or reject the
2098 report of the supervisory committee. The supervisory committee shall
2099 take any action with respect thereto as the members deem necessary. If
2100 such action involves removal, the credit union shall promptly notify
2101 the Commissioner of Banking of such removal.

2102 Sec. 49. (NEW) (*Effective October 1, 2002*) (a) Except as provided in
2103 section 51 of this act, the governing board may delegate, in accordance
2104 with its bylaws, all or part of its lending authority to a credit
2105 committee, a credit manager who may be but is not required to be a
2106 member, loan officers or any combination thereof, who shall review
2107 and act on all applications for extensions of credit or for release or
2108 substitution of collateral in accordance with the loan policy prescribed
2109 by the governing board.

2110 (b) If the bylaws of a Connecticut credit union provide for a credit
2111 committee, such committee shall consist of an odd number of three or
2112 more members of the credit union, none of whom shall simultaneously
2113 serve on the supervisory committee and all of whom shall be members
2114 in good standing.

2115 (c) The credit committee shall meet as often as necessary but at least
2116 monthly at a duly noticed meeting. All actions by the committee shall
2117 be by majority vote of those members present at any duly noticed
2118 meeting at which a quorum is present. A majority of the credit
2119 committee shall constitute a quorum. The credit committee shall keep
2120 complete minutes of all of its meetings, including the names of those
2121 present. The credit manager or loan officer shall provide to the
2122 governing board or the credit committee, if any, on at least a monthly
2123 basis, a complete listing of all applications for extensions of credit or
2124 for release or substitution of collateral that were reviewed and acted
2125 upon.

2126 (d) A credit manager or loan officer shall not disburse the funds of
2127 the Connecticut credit union for any extension of credit approved by
2128 such credit manager or loan officer, except for extensions of credit that
2129 are secured in full by pledge of the borrowing member's own shares.

2130 (e) An applicant for an extension of credit or release or substitution
2131 of collateral that has been disapproved by a credit manager or loan
2132 officer may appeal to the credit committee or, in the absence of a credit
2133 committee, to the governing board. Any such appeal to the credit
2134 committee or the governing board shall be acted upon at the next
2135 regular meeting of the credit committee or governing board. An
2136 applicant for an extension of credit or release or substitution of
2137 collateral that has been disapproved by the credit committee, other
2138 than an applicant appealing a denial by a credit manager or loan
2139 officer, may appeal to the governing board. Any such appeal to the
2140 governing board shall be acted upon by the governing board at its next
2141 regular meeting.

2142 Sec. 50. (NEW) (*Effective October 1, 2002*) (a) In addition to
2143 compensating its employees, a Connecticut credit union may, either
2144 independently or in conjunction with one or more other Connecticut
2145 credit unions, with the approval of the governing board, provide death
2146 benefits, disability benefits, accident benefits, hospital, medical,
2147 surgical and dental benefits, incentive savings benefits, severance

2148 benefits, retirement benefits and other employee benefits for its active
2149 and retired employees and their families. The provisions of this section
2150 shall be subject to the conditions and requirements imposed by the
2151 Employee Retirement Income Security Act of 1974, Public Law 93-406,
2152 as from time to time amended.

2153 (b) A Connecticut credit union may, with the approval of a majority
2154 of the governing board, provide personal liability or indemnity
2155 insurance coverage for its directors, credit committee members and
2156 supervisory committee members. With the approval of the
2157 Commissioner of Banking, a Connecticut credit union may also
2158 provide reasonable health, accident and related types of personal
2159 insurance for its directors, other than its emeritus directors and
2160 advisory directors, which insurance shall not be considered
2161 compensation.

2162 Sec. 51. (NEW) (*Effective October 1, 2002*) (a) The governing board of
2163 a Connecticut credit union shall adopt a written conflict of interest
2164 policy that includes provisions addressing transactions with insiders
2165 and their immediate family members, as defined in section 35 of this
2166 act, and other persons having a common ownership, investment or
2167 other pecuniary interest in a business enterprise with such insiders and
2168 immediate family members of such persons. As used in this section,
2169 "insider" means a director, member of a board-appointed committee,
2170 member of senior management and loan officer of a Connecticut credit
2171 union.

2172 (b) An extension of credit made by a Connecticut credit union to an
2173 insider shall require the approval of the governing board if (1) such
2174 insider is the debtor, guarantor, endorser or cosigner of the extension
2175 of credit; and (2) the extension of credit by itself or when added to the
2176 aggregate of all outstanding extensions of credit for which such insider
2177 is the debtor, guarantor, endorser or cosigner exceeds twenty-five
2178 thousand dollars plus pledged shares.

2179 (c) No insider of a Connecticut credit union or professional retained

2180 by a Connecticut credit union shall in any manner, directly or
2181 indirectly, participate in any determination affecting such person's
2182 pecuniary interest or the pecuniary interest of any immediate family
2183 member of such person or any corporation, partnership or association,
2184 other than the Connecticut credit union, in which such person is
2185 directly or indirectly interested.

2186 (d) An insider, immediate family member of such insider or other
2187 person having a common ownership, investment or other pecuniary
2188 interest in a business enterprise with an insider or immediate family
2189 member of such insider shall not obtain an extension of credit from the
2190 Connecticut credit union with preferential rates, terms or conditions,
2191 or act as guarantor or endorser thereon, and shall not be involved in
2192 the appraisal or valuation of assets which are to be used as collateral
2193 for an extension of credit.

2194 (e) An insider and the immediate family member of such insider
2195 shall not receive, directly or indirectly, any commission, fee or other
2196 compensation, except those of a nominal value, in connection with any
2197 extension of credit by the Connecticut credit union, provided this
2198 subsection shall not prohibit: (1) Payment by a Connecticut credit
2199 union of: (A) Salaries to employees, (B) incentives or bonuses to
2200 employees based on the Connecticut credit union's overall financial
2201 performance, (C) incentives or bonuses to employees, other than a
2202 member of senior management, in connection with an extension of
2203 credit, provided the governing board establishes written policies and
2204 internal controls in connection with such incentives or bonuses and
2205 monitors compliance with such policies and controls at least annually,
2206 (D) fees to an insider or immediate family member of such insider for
2207 the performance of title searches, loan closings and collections,
2208 provided the Connecticut credit union has complied with subsection
2209 (k) of this section prior to engaging such insider or immediate family
2210 member of such insider; and (2) receipt of compensation from a person
2211 outside a Connecticut credit union by a director, member of a board-
2212 appointed committee or employee who is not a member of senior
2213 management or an immediate family member of such director,

2214 committee member or employee, for a service or activity performed by
2215 the director, committee member or employee outside the Connecticut
2216 credit union, provided no referral has been made by the credit union
2217 or the director, committee member, employee or immediate family
2218 member of such director, committee member or employee.

2219 (f) An insider and the immediate family members of such insider or
2220 an employee of a Connecticut credit union shall not receive anything
2221 of value in connection with the making of an investment or deposit by
2222 the Connecticut credit union of funds of the credit union, unless the
2223 governing board determines that the involvement of the insider, the
2224 immediate family member of such insider or the employee does not
2225 present a conflict of interest, and includes such determination in its
2226 minutes. The prohibition contained in this subsection shall not prohibit
2227 the credit union from paying salaries, incentives and bonuses to
2228 employees in connection with the making of such investments or
2229 deposits. An insider shall conduct all transactions that are not
2230 prohibited under this subsection at arm's length and in the best
2231 interests of the Connecticut credit union.

2232 (g) An insider and the immediate family members of such insider
2233 shall not receive any direct or indirect compensation or benefit in
2234 connection with the credit union's insurance or group purchasing
2235 activities for members and employees. The prohibition contained in
2236 this subsection shall also apply to any employee not otherwise covered
2237 if the employee is directly involved in insurance or group purchasing
2238 activities unless the governing board determines that the employee's
2239 involvement does not present a conflict of interest and includes such
2240 determinations in its minutes. An insider and the immediate family
2241 member of such insider shall conduct all transactions that are not
2242 prohibited under this subsection at arm's length and in the best
2243 interests of the credit union.

2244 (h) A Connecticut credit union shall not buy, lease or otherwise
2245 acquire premises from any of the following without the prior approval
2246 of the governing board, such approval to be included in the governing

2247 board's minutes: (1) An insider or immediate family member of such
2248 insider; (2) a corporation in which an insider or immediate family
2249 member of such insider is an officer or director or has an ownership
2250 interest of ten per cent or more; (3) a partnership in which any insider
2251 or immediate family member of such insider is a general partner or a
2252 limited partner with an interest of ten per cent or more. The
2253 prohibition contained in this subsection shall also apply to any
2254 employee not otherwise covered if the employee is directly involved in
2255 investments in fixed assets unless the governing board determines that
2256 the employee's involvement does not present a conflict of interest and
2257 includes such determinations in its minutes.

2258 (i) No insider or employee of a Connecticut credit union or the
2259 immediate family member of any such person shall purchase, directly
2260 or indirectly, any of the assets of the credit union for an amount less
2261 than the current market value thereof, without the prior approval of
2262 the governing board which approval shall include a determination that
2263 the transaction is in the best interests of the credit union. Such
2264 approval and determination shall be included in the governing board's
2265 minutes.

2266 (j) With the approval of the Commissioner of Banking, a
2267 Connecticut credit union may have as an employee or director a
2268 person who serves as an officer, employee or director of any other
2269 financial institution.

2270 (k) When a Connecticut credit union retains an insider or an
2271 immediate family member of such insider to render services to the
2272 credit union, the governing board shall document in its minutes that
2273 such hiring was at arm's length and in the best interests of the credit
2274 union and was in accordance with the competitive bidding and
2275 appropriate due diligence process as provided in the credit union's
2276 conflict of interest policy.

2277 (l) The directors, members of board-appointed committees,
2278 members of senior management and the immediate family members of

2279 such persons that have outstanding loans or investments in a credit
2280 union service organization shall not receive any salary, commission,
2281 investment income or other income or compensation from such credit
2282 union service organization, either directly or indirectly, or from any
2283 person being served through the credit union service organization.
2284 This provision shall not prohibit (1) such Connecticut credit union
2285 insiders or the immediate family members of such persons from
2286 assisting in the operation of such credit union service organization,
2287 provided such persons are not compensated by the credit union
2288 service organization, and (2) reimbursement to the Connecticut credit
2289 union for the services provided by such directors, committee members
2290 or senior management members if the accounts receivable of the
2291 Connecticut credit union due from the credit union service
2292 organization is paid in full at least quarterly.

2293 (m) A Connecticut credit union shall not grant a member business
2294 loan if any additional income received by the credit union or senior
2295 management of the credit union is tied to the profit or sale of the
2296 business or commercial endeavor for which the loan is made.

2297 Sec. 52. (NEW) (*Effective October 1, 2002*) A Connecticut credit union
2298 may:

2299 (1) Transact a general credit union business and exercise by its
2300 governing board or duly authorized members of senior management,
2301 subject to applicable law, all such incidental powers as are consistent
2302 with its purposes. The express powers authorized for a Connecticut
2303 credit union under this section do not preclude the existence of
2304 additional powers deemed to be incidental to the transaction of a
2305 general credit union business pursuant to this subdivision;

2306 (2) (A) Issue shares to its members and receive payments on shares
2307 from its members and from those nonmembers specified in subsection
2308 (e) of section 54 of this act, subject to the provisions of sections 36a-290
2309 to 36a-297, inclusive, 36a-330 to 36a-338, inclusive, of the general
2310 statutes and section 54 of this act, (B) receive deposits of members and

2311 nonmembers subject to provisions of sections 54 and 55 of this act, (C)
2312 reduce the amount of its member and nonmember shares and deposits,
2313 and (D) expel members and cancel shares in accordance with section
2314 40 of this act;

2315 (3) Make and use its best efforts to make secured and unsecured
2316 extensions of credit to its members in accordance with section 36a-265
2317 of the general statutes and sections 57, 58 and 59 of this act;

2318 (4) Invest its funds in accordance with section 60 of this act;

2319 (5) Declare and pay dividends in accordance with sections 43 and 56
2320 of this act, and pay interest refunds to borrowers;

2321 (6) Act as a finder or agent for the sale of insurance and fixed and
2322 variable rate annuities directly, sell insurance and such annuities
2323 indirectly through a Connecticut credit union service organization, or
2324 enter into arrangements with third-party marketing organizations for
2325 the sale by such third-party marketing organizations of insurance or
2326 such annuities on the premises of the Connecticut credit union or to
2327 members of the Connecticut credit union, provided: (A) Such
2328 insurance and annuities are issued or purchased by or from an
2329 insurance company licensed in accordance with section 38a-41 of the
2330 general statutes; and (B) the Connecticut credit union, Connecticut
2331 credit union service organization or third-party marketing
2332 organization, and any officer and employee thereof, shall be licensed
2333 as required by section 38a-769 of the general statutes before engaging
2334 in any of the activities authorized by this subdivision. As used in this
2335 subdivision, "annuities" and "insurance" have the same meanings as set
2336 forth in section 38a-41 of the general statutes, except that "insurance"
2337 does not include title insurance. The provisions of this subdivision do
2338 not authorize a Connecticut credit union or Connecticut credit union
2339 service organization to underwrite insurance or annuities;

2340 (7) Borrow money to an amount not exceeding fifty per cent of the
2341 total assets of the Connecticut credit union provided the credit union
2342 shall give prior notice to the Commissioner of Banking in writing of its

2343 intention to borrow amounts in excess of thirty-five per cent of its total
2344 assets;

2345 (8) Act as fiscal agent for the federal government, this state or any
2346 agency or political subdivision thereof;

2347 (9) Provide loan processing, loan servicing, member check and
2348 money order cashing services, disbursement of share withdrawals and
2349 loan proceeds, money orders, internal audits, automated teller
2350 machine services and other similar services to other Connecticut credit
2351 unions, federal credit unions and out-of-state credit unions;

2352 (10) Provide finder services to its members, including the offering of
2353 third party products and services through the sale of advertising space
2354 on its web site, account statements and receipts, and the sale of
2355 statistical or consumer financial information to outside vendors in
2356 accordance with sections 36a-40 to 36a-45, inclusive, of the general
2357 statutes in order to facilitate the sale of such products to the members
2358 of such Connecticut credit union;

2359 (11) With the prior approval of the Commissioner of Banking,
2360 exercise fiduciary powers;

2361 (12) Maintain and rent safe deposit boxes within suitably
2362 constructed vaults, provided the Connecticut credit union has
2363 adequate insurance coverage for losses related to such rental;

2364 (13) Provide certification services, including notary services,
2365 signature guaranties, certification of electronic signatures and share
2366 draft certifications;

2367 (14) Act as agent (A) in the collection of taxes for any qualified
2368 treasurer of any taxing district or qualified collector of taxes or (B) for
2369 any electric, electric distribution, gas, water or telephone company
2370 operating within this state in receiving moneys due such company for
2371 utility services furnished by it;

2372 (15) Issue and sell securities which (A) are guaranteed by the

2373 Federal National Mortgage Association or any other agency or
2374 instrumentality authorized by state or federal law to create a
2375 secondary market with respect to extensions of credit of the type
2376 originated by the Connecticut credit union, or (B) subject to the
2377 approval of the Commissioner of Banking, relate to extensions of credit
2378 originated by the Connecticut credit union and are guaranteed or
2379 insured by a financial guaranty insurance company or comparable
2380 private entity;

2381 (16) Establish a charitable fund, either in the form of a charitable
2382 trust or a nonprofit corporation to assist in making charitable
2383 contributions, provided (A) the trust or nonprofit corporation is
2384 exempt from federal income taxation and may accept charitable
2385 contributions under Section 501 of the Internal Revenue Code of 1986,
2386 or any subsequent corresponding internal revenue code of the United
2387 States, as from time to time amended, (B) the trust or nonprofit
2388 corporation's operations are disclosed fully to the Commissioner of
2389 Banking upon request, and (C) the trust department of the credit union
2390 or one or more directors or members of senior management of the
2391 credit union act as trustees or directors of the fund;

2392 (17) In the discretion of a majority of its governing board, make
2393 contributions or gifts to or for the use of any corporation, trust or
2394 community chest, fund or foundation created or organized under the
2395 laws of the United States or of this state and organized and operated
2396 exclusively for charitable, educational or public welfare purposes, or of
2397 any hospital which is located in this state and which is exempt from
2398 federal income taxes and to which contributions are deductible under
2399 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent
2400 corresponding internal revenue code of the United States, as from time
2401 to time amended;

2402 (18) Sell, pledge or assign any or all of its outstanding extensions of
2403 credit to any other lending institution, credit union service
2404 organization or quasi-governmental entity and any government-
2405 sponsored enterprise, and act as collecting, remitting and servicing

2406 agent in connection with any such extension of credit and charge for its
2407 acts as agent. Any such credit union may purchase the minimum
2408 amount of capital stock of such entity or enterprise if required by that
2409 entity or enterprise to be purchased in connection with the sale, pledge
2410 or assignment of extensions of credit to that entity or enterprise and
2411 may hold and dispose of such stock, provided that with respect to
2412 purchases of stock of a credit union service organization, the
2413 Connecticut credit union shall not exceed the limitations of section 60
2414 of this act. A Connecticut credit union may purchase one or more
2415 outstanding extensions of credit from any other lending institution and
2416 any federally-recognized Native American tribe, provided there exists
2417 a formal written agreement with tribal government to permit the credit
2418 union to service and collect on such extensions of credit;

2419 (19) Sell a participating interest in any or all of its outstanding
2420 extensions of credit to and purchase a participating interest in any or
2421 all of the outstanding extensions of credit of any financial institution or
2422 credit union service organization pursuant to an appropriate written
2423 participation and servicing agreement to be signed by all parties
2424 involved in such transaction;

2425 (20) With the approval of the Commissioner of Banking, join the
2426 Federal Home Loan Bank System and borrow funds as provided under
2427 federal law;

2428 (21) Sell all or part of its assets, other than extensions of credit, to
2429 other lending institutions, purchase all or part of the assets, other than
2430 extensions of credit, of other lending institutions, and assume all or
2431 part of the shares and the liabilities of any other credit union or out-of-
2432 state credit union;

2433 (22) With the prior written approval of the Commissioner of
2434 Banking, engage in closely related activities, unless the Commissioner
2435 of Banking determines that any such activity shall be conducted by a
2436 credit union service organization of the Connecticut credit union,
2437 utilizing such organizational, structural or other safeguards as the

2438 Commissioner of Banking may require, in order to protect the
2439 Connecticut credit union from exposure to loss. As used in this
2440 subdivision, "closely related activities" means those activities that are
2441 closely related, convenient and necessary to the business of a
2442 Connecticut credit union, are reasonably related to the operation of a
2443 Connecticut credit union or are financial in nature including, but not
2444 limited to, business and professional services, data processing, courier
2445 and messenger services, credit-related activities, consumer services,
2446 services related to real estate, financial consulting, tax planning and
2447 preparation, community development activities, or any activities
2448 reasonably related to such activities;

2449 (23) With the approval of the Commissioner of Banking, engage in
2450 any activity that a federal credit union or out-of-state credit union may
2451 be authorized to engage in under state or federal law. The application
2452 for such approval shall be in writing and shall include a description of
2453 the activity, a description of the financial impact of the activity on the
2454 Connecticut credit union, citation of the legal authority to engage in
2455 the activity under state or federal law, a description of any limitations
2456 or restrictions imposed on such activity under state or federal law, and
2457 any other information that the Commissioner of Banking may require.
2458 The Commissioner of Banking shall approve or disapprove such
2459 activity not later than thirty days after the application filed is complete.
2460 The Commissioner of Banking may impose any limitations or
2461 conditions to ensure that any such activity is conducted in a safe and
2462 sound manner with adequate consumer protections. The provisions of
2463 this subdivision do not authorize a Connecticut credit union or a
2464 Connecticut credit union service organization to sell title insurance.

2465 Sec. 53. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
2466 union may, with the approval of the commissioner, sell all or a
2467 significant part of its assets in accordance with the provisions of
2468 section 36a-210 of the general statutes.

2469 (b) A Connecticut credit union may, with the approval of the
2470 commissioner, sell a branch.

2471 Sec. 54. (NEW) (*Effective October 1, 2002*) (a) The par value of shares
2472 of a Connecticut credit union shall be five dollars or any multiple
2473 thereof, provided such par value shall not exceed one hundred dollars.

2474 (b) A Connecticut credit union may receive payments on shares and
2475 permit withdrawals of payments on shares with the exception of
2476 membership shares in accordance with such credit union's bylaws and
2477 the Deposit Account Contract Act, sections 36a-315 to 36a-323,
2478 inclusive, of the general statutes except that the governing board may
2479 require members to give sixty days' notice of intention to withdraw the
2480 whole or any part of their shares or payments on shares, including
2481 membership shares.

2482 (c) A Connecticut credit union may, with the written approval of the
2483 Commissioner of Banking and subject to applicable restrictions of state
2484 and federal law, receive from members payments on shares that
2485 qualify as part of a retirement plan for self-employed individuals or an
2486 individual retirement account in accordance with the applicable
2487 provisions of the Internal Revenue Code of 1986, or any subsequent
2488 corresponding internal revenue code of the United States, as from time
2489 to time amended. Such payments on shares shall be established in a
2490 separate account from the shares of the member, and shall not be
2491 subject to pledge to secure extensions of credit by the Connecticut
2492 credit union to the member or be available for set-off by the
2493 Connecticut credit union if the member defaults on an extension of
2494 credit. Such shares shall be treated as under separate ownership for
2495 purposes of applying any limit imposed by the governing board
2496 pursuant to its authority under subdivision (5) of subsection (a) of
2497 section 45 of this act, on the maximum amount of shares owned by a
2498 member. Otherwise, such shares are subject to all of the provisions of
2499 this act relating to shares.

2500 (d) A Connecticut credit union may receive payments on shares
2501 which the member agrees in writing not to withdraw within the time
2502 period specified in the agreement.

2503 (e) A Connecticut credit union may receive payments from a
2504 nonmember who is (1) an individual, into a share account held jointly
2505 with a member of the Connecticut credit union, which share account is
2506 subject to the provisions of section 36a-290 of the general statutes; (2)
2507 the United States, this state or any municipality or other political
2508 subdivision thereof; (3) a federally-recognized Native American tribal
2509 government located in this state; or (4) another Connecticut credit
2510 union, federal credit union or out-of-state credit union.

2511 (f) A Connecticut credit union that has received a low-income
2512 designation from the National Credit Union Administration, or its
2513 successor agency, under 12 CFR 701.34, as from time to time amended,
2514 may offer secondary capital accounts to any person other than an
2515 individual, subject to the requirements and conditions imposed on
2516 federally-chartered, low-income designated credit unions under 12
2517 CFR 701.34, as from time to time amended.

2518 (g) A Connecticut credit union shall maintain in full force and effect
2519 share insurance as required under the Federal Credit Union Act. Any
2520 Connecticut credit union that fails to maintain in full force and effect
2521 such share insurance shall terminate its corporate existence under such
2522 terms and conditions as the Commissioner of Banking deems
2523 appropriate.

2524 (h) A Connecticut credit union may obtain from an insurance
2525 company licensed and qualified to do business in this state share
2526 insurance coverage that exceeds the maximum allowable under the
2527 Federal Credit Union Act.

2528 (i) Without being required to take any action to attach or perfect a
2529 lien, a Connecticut credit union shall have and may impress and
2530 enforce a lien on the shares of each member to secure the payment of
2531 all absolute and contingent liabilities of such member to the
2532 Connecticut credit union.

2533 Sec. 55. (NEW) (*Effective October 1, 2002*) (a) As used in this section:

2534 (1) "Tax and loan account" means an account, the balance of which
2535 is subject to the right of immediate withdrawal, established for receipt
2536 of payments of federal taxes and certain United States obligations.
2537 Such accounts are not shares, as defined in subdivision (17) of section
2538 35 of this act; and

2539 (2) "Note account" means a note, subject to the right of immediate
2540 call, evidencing funds held by depositories electing the note option
2541 under applicable United States Treasury Department regulations. Note
2542 accounts are not shares, as defined in subdivision (17) of section 35 of
2543 this act.

2544 (b) Subject to the regulations of the United States Treasury
2545 Department, Connecticut credit unions may serve as depositories for
2546 federal taxes or as United States Treasury tax and loan depositories,
2547 and satisfy any requirement in connection therewith, including
2548 maintaining tax and loan accounts and note accounts, and pledging
2549 collateral.

2550 (c) Connecticut credit unions shall pay a return on note accounts at
2551 the rates required by the United States Treasury Department.

2552 (d) In addition to the requirements contained in the regulations of
2553 the United States Treasury Department, Connecticut credit unions
2554 shall meet all requirements in order to obtain any available insurance
2555 of deposits contained in tax and loan accounts and note accounts by
2556 the National Credit Union Administration's Share Insurance Fund.

2557 Sec. 56. (NEW) (*Effective October 1, 2002*) The governing board of a
2558 Connecticut credit union, or the executive committee or senior
2559 management if so delegated by the governing board, may declare and
2560 pay dividends on partial or full shares from current or accumulated
2561 net earnings, provided such credit union shall meet its net worth
2562 requirements, provide for accrued and unpaid expenses and
2563 adequately fund the allowance for loan and lease losses account. A
2564 Connecticut credit union may not declare or pay dividends if it is
2565 insolvent or if its net assets are less than stated capital or if the

2566 payment of dividends would render such credit union insolvent or
2567 reduce its net assets below stated capital. The Commissioner of
2568 Banking may restrict the payment of dividends whenever it appears
2569 that such payment would adversely affect the financial condition of a
2570 Connecticut credit union.

2571 Sec. 57. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
2572 union shall adopt and implement a written loan policy that requires
2573 written applications for all extensions of credit, and addresses the
2574 categories and types of secured and unsecured extensions of credit
2575 offered by the credit union, the manner in which mortgage loans,
2576 member business loans and insider loans will be made and approved,
2577 underwriting guidelines and collateral requirements, and which
2578 addresses, in accordance with safety and soundness, acceptable
2579 standards for title review, title insurance and appraiser qualifications,
2580 procedures for the approval and selection of appraisers, appraisal and
2581 evaluation standards, and the credit union's administration of the
2582 appraisal and evaluation process. The Commissioner of Banking may
2583 review a Connecticut credit union's loan policy and may order changes
2584 to be made to ensure safe and sound lending practices.

2585 (b) A Connecticut credit union shall use its best efforts to make such
2586 secured and unsecured extensions of credit to its members, including
2587 lease financing for personal property if the leases are the functional
2588 equivalent of secured loans for personal property, with such maturities
2589 as may be determined by the governing board, repayable in
2590 consecutive weekly, biweekly, semimonthly, monthly, quarterly or
2591 semiannual installments, but which may be repaid in whole or in part
2592 prior to maturity, and on such terms as the bylaws and loan policy of
2593 such credit union may permit.

2594 (c) Except as otherwise provided in this section, the total direct or
2595 indirect liabilities of any one obligor, however incurred, to any
2596 Connecticut credit union, exclusive of such credit union's investment
2597 in the investment securities of such obligor, shall not exceed at the time
2598 incurred the greater of two hundred dollars or ten per cent of such

2599 credit union's total assets. For purposes of determining the limitations
2600 of this subsection, in computing the liabilities of an obligor, a liability
2601 is incurred at the time of the closing of the transaction, unless such
2602 closing is preceded by a legally binding written commitment to enter
2603 into the transaction, in which case such liability is incurred at the time
2604 of commitment and is net of any liabilities of the obligor to such
2605 Connecticut credit union that will be paid with the proceeds of the
2606 commitment at the time of closing. The limitations provided for in this
2607 subsection may be exceeded for a period of time not to exceed six
2608 hours if at the closing of any transaction at which such obligor incurs
2609 such liabilities to a Connecticut credit union in excess of such
2610 limitations, such credit union immediately assigns or participates out
2611 to one or more other persons an amount that constitutes not less than
2612 the excess over the applicable limitation. For purposes of this
2613 subsection, in computing the liabilities of a partnership the individual
2614 liabilities of the general partners shall be included; and in computing
2615 the individual liabilities of a general partner, the liabilities of the
2616 partnership shall be included.

2617 Sec. 58. (NEW) (*Effective October 1, 2002*) (a) Subject to the
2618 requirements of this section, a Connecticut credit union may make one
2619 or more mortgage loans to its members. As used in this section, the
2620 term "mortgage loan" means a closed-end loan or line of credit secured
2621 wholly or substantially by a lien on or interest in real estate, including
2622 a leasehold interest, and which is secured by a one-to-four family
2623 residence that is the primary residence of a member or by any other
2624 real estate provided the aggregate of the loans made by the credit
2625 union to such mortgagor that are secured by such other real estate do
2626 not exceed fifty thousand dollars. As used in this section and section 59
2627 of this act, the term "real estate" includes land and any structure and
2628 other improvement or equipment that is permanently attached to such
2629 land or structure. The term "mortgage loan" shall not include a
2630 member business loan, as defined in section 59 of this act.

2631 (b) A satisfactory certificate of title issued by a qualified person
2632 approved by the Connecticut credit union, or a satisfactory policy of

2633 title insurance, shall be filed with the lending Connecticut credit union
2634 until the mortgage loan is paid or sold.

2635 (c) The real estate shall be appraised or otherwise suitably evaluated
2636 before any mortgage loan is made on its security, by one or more
2637 suitable persons who are familiar with real estate values in the
2638 community where the real estate is located. Such persons shall be
2639 approved by the governing board of the Connecticut credit union
2640 making the loan, or any board-appointed committee or person
2641 appropriately designated by such governing board in accordance with
2642 the loan and insider policies of the Connecticut credit union, provided
2643 if the loan under consideration is a loan to be insured or guaranteed by
2644 a governmental agency, the appraiser may be one who appraised the
2645 real estate for the governmental agency. Such appraisal or evaluation
2646 shall be in writing, state the amount at which the real estate has been
2647 appraised or evaluated and be filed with the lending Connecticut
2648 credit union until the loan is paid or sold.

2649 (d) For the purposes of this subsection, the net equity value of real
2650 estate is the appraised value determined pursuant to this subsection,
2651 reduced by the value of any prior liens or encumbrances with the
2652 exception of leases, easements and reservations to the United States of
2653 fissionable materials. A mortgage loan made by a Connecticut credit
2654 union may not exceed in amount ninety per cent of the net equity
2655 value of the real estate except:

2656 (1) Loans guaranteed or insured by the United States government or
2657 its agencies, provided the amount of the guaranty or insurance is at
2658 least equal to the portion of the loan that exceeds the loan-to-value
2659 limit;

2660 (2) Loans backed by the full faith and credit of a state government,
2661 provided the amount of the assurance is at least equal to the portion of
2662 the loan that exceeds the loan-to-value limit;

2663 (3) Loans guaranteed or insured by a state, municipal or local
2664 government, or its agency, provided (A) the amount of the guaranty or

2665 insurance is at least equal to the portion of the loan that exceeds the
2666 loan-to-value limit, and (B) the Connecticut credit union has
2667 determined that the guarantor or insurer has the financial capacity and
2668 willingness to perform under the terms of the guaranty or insurance
2669 agreement;

2670 (4) Loans that are renewed, refinanced or restructured without the
2671 advancement of new funds or an increase in a line of credit, except for
2672 reasonable closing costs;

2673 (5) Loans that are renewed, refinanced or restructured in connection
2674 with workout situations involving existing loans from the Connecticut
2675 credit union to its members, either with or without the advancement of
2676 new funds, where such action is consistent with safe and sound
2677 lending practices and is a part of a clearly defined and well
2678 documented program to achieve orderly liquidation of the debt,
2679 reduce risk of loss or maximize recovery of the loan;

2680 (6) Loans that facilitate the sale of real estate acquired by the
2681 Connecticut credit union in the ordinary course of collecting a debt
2682 previously contracted in good faith; and

2683 (7) Loans where all or part of such loan is made in primary reliance
2684 upon the mortgage insurance policy of a private mortgage guaranty
2685 company, licensed by the Insurance Commissioner to do business in
2686 this state and approved by the Commissioner of Banking.

2687 (e) A mortgage loan made by a Connecticut credit union secured by
2688 a first lien or interest shall have a maturity not exceeding forty-two
2689 years from the date of its making, and a mortgage loan to finance a
2690 manufactured home or secured by a subordinate lien shall have a
2691 maturity not exceeding twenty years from the date of its making. For
2692 purposes of this subsection, the term "manufactured home" means a
2693 movable dwelling containing living facilities suitable for year-round
2694 occupancy by one family, including permanent provision for eating,
2695 sleeping, cooling and sanitation, provided such dwelling is to be
2696 maintained as a residence of the purchaser and will, within ninety

2697 days after purchase, be located at a manufactured housing community
2698 or other semipermanent site within this state.

2699 (f) A mortgage loan made by a Connecticut credit union shall
2700 require repayment of principal and payment of interest in at least
2701 consecutive semiannual installments of principal and interest, such
2702 payments to be sufficient to pay the loan in full not later than forty-two
2703 years from the date of the first payment and the first payment to be
2704 made within twenty-four months from the date of the note. The
2705 requirements for semiannual principal payments pursuant to this
2706 subsection are not applicable to: (1) Consumer revolving loan
2707 agreements made pursuant to subsection (c) of section 49-2 of the
2708 general statutes, (2) alternative mortgage loans made pursuant to
2709 section 36a-265 of the general statutes, (3) loans that may be demanded
2710 at any time and that are secured by residential real estate, and (4) any
2711 other loan or class of loans determined by the Commissioner of
2712 Banking not to be subject to such requirements.

2713 (g) A Connecticut credit union may make a mortgage loan secured
2714 by a first lien or interest for the construction or repair of buildings or
2715 other improvements on the property of the borrower, which loan may
2716 be made in installments advanced at the discretion of the credit union
2717 as the work progresses, provided at no time shall the ratio of the
2718 amount loaned to the then total value exceed fifty per cent or the ratio
2719 the final loan is to bear to the value of the completed real estate,
2720 whichever is the greater. Loans made to finance the construction of
2721 buildings and having a maturity of not more than twenty-four months
2722 or having a maturity of not more than thirty-six months, if approved
2723 by the Commissioner of Banking, are not subject to the limitations
2724 imposed by subsection (f) of this section.

2725 (h) Attorneys' fees in connection with any mortgage loan made by a
2726 Connecticut credit union, including preparation of the mortgage deed
2727 and note, title search, waivers and closing fees or recording fees, shall
2728 be paid by the borrower unless otherwise determined by the credit
2729 union.

2730 (i) A Connecticut credit union may make and invest in any
2731 mortgage loan, including construction and improvement loans,
2732 insured by the Federal Housing Administration without regard to the
2733 limitations and restrictions of this section, except that such loans are
2734 subject to the following limitations: (1) In the case of loans secured by a
2735 first mortgage on real estate, the contract of insurance shall contain a
2736 provision that the debentures to be issued by the Federal Housing
2737 Administration in settlement of such insurance, in the event of the
2738 foreclosure or default of any such loan or mortgage, shall be fully
2739 guaranteed as to payment of principal and interest by the government
2740 of the United States, (2) if the credit union has a commitment for such
2741 insurance, issued by the Federal Housing Administration, it may grant
2742 a loan to a borrower for the purpose of building upon or improving
2743 the real estate of the borrower, the money so borrowed to be advanced
2744 at the discretion of the credit union in installments as the work
2745 progresses, provided the total of all advances made does not exceed
2746 eighty per cent of the value of the real estate on the date of each
2747 advance or the proportion that the final loan is to bear to the final
2748 estimated value of the real estate, whichever is the greater, except that
2749 the final advance may be in such an amount that the total of all
2750 advances made may equal but not exceed the amount of such
2751 commitment. The final advance shall not be made until the buildings
2752 or improvements have been inspected and approved by the Federal
2753 Housing Administration for an insured loan.

2754 (j) Without regard to the limitations and restrictions of this section, a
2755 Connecticut credit union may make and invest in any mortgage loan
2756 which the Administrator of Veterans' Affairs guarantees, makes a
2757 commitment to guarantee or insures.

2758 (k) A Connecticut credit union may make a mortgage loan secured
2759 by a leasehold interest, provided the leasehold estate has a term which
2760 does not expire prior to the maturity of the mortgage loan. The term of
2761 the leasehold estate shall not include any period for which the lease
2762 may grant an option of renewal.

2763 (l) A Connecticut credit union may invest its funds in mortgage
2764 loans which do not conform to the requirements of this section,
2765 provided the governing board or a board-appointed committee has
2766 reviewed the nonconforming aspects of the particular mortgage loan
2767 or mortgage loan program and has determined such loan or program
2768 to be prudent under the circumstances and all such mortgage loans
2769 outstanding at the time of origination do not exceed eight per cent of
2770 the total assets of the Connecticut credit union. The Connecticut credit
2771 union shall make a notation of the determination of whether such loan
2772 or program is prudent and the reasons for such determination in the
2773 applicable loan file. A loan which was included within the percentage
2774 of total assets limitation of this subsection subsequently may be
2775 excluded if the loan is repaid or if the nonconforming aspects are
2776 eliminated or otherwise cease to exist.

2777 Sec. 59. (NEW) (*Effective October 1, 2002*) (a) As used in this section:

2778 (1) "Associated member" means any member with a shared
2779 ownership, investment or other pecuniary interest in a business or
2780 commercial endeavor with the borrower.

2781 (2) "Construction loan" means a loan for developing or acquiring
2782 and developing real estate, as defined in subsection (a) of section 58 of
2783 this act, where the borrower intends to convert such real estate to
2784 income-producing property or use such real estate for income-
2785 producing purposes, including residential housing for rental or sale, or
2786 commercial, industrial or similar purposes.

2787 (3) "Member business loan" means any loan, line of credit or
2788 unfunded commitment thereof, letter of credit or any other extension
2789 of credit, where the borrower intends to use or uses the proceeds for
2790 any of the following purposes: (A) Commercial; (B) corporate; (C)
2791 investment property; (D) business venture; or (E) agricultural, but does
2792 not include the following loans:

2793 (i) A loan fully secured by a lien on a one-to-four family residence
2794 that is the primary residence of the member;

2795 (ii) A loan fully secured by shares in the credit union making the
2796 loan or by shares or deposits in other financial institutions;

2797 (iii) One or more loans to a member or an associated member where
2798 the proceeds are to be used or are used for the purposes specified in
2799 this subdivision to benefit a common endeavor and which, in the
2800 aggregate, are equal to less than fifty thousand dollars;

2801 (iv) A loan where any agency of the federal government, a state or
2802 any political subdivision of such state, fully insures or guarantees
2803 repayment, or provides an advance commitment to purchase the loan
2804 in full; or

2805 (v) A loan granted by the corporate Connecticut credit union to a
2806 Connecticut credit union, federal credit union or out-of-state credit
2807 union.

2808 (4) "Net worth" means retained earnings under generally accepted
2809 accounting principles.

2810 (5) "Net outstanding member business loan balance" means the
2811 outstanding loan balance, including any unfunded commitment,
2812 exclusive of the portion of the member business loan secured by shares
2813 in the credit union, or by shares or deposits in other financial
2814 institutions, or fully or partially insured or guaranteed by any agency
2815 of the federal government, a state or any political subdivision of such
2816 state, or subject to an advance commitment to purchase by any agency
2817 of the federal government, a state or any political subdivision of such
2818 state.

2819 (b) No Connecticut credit union shall make a member business loan
2820 unless it has adequate net worth as determined by the Commissioner
2821 of Banking, develops a member business loan program and obtains the
2822 prior written approval of the Commissioner of Banking for such
2823 program. The request for approval of such program shall include a
2824 member business loan policy that meets the requirements of
2825 subsection (c) of this section and shall demonstrate that sufficient

2826 resources, knowledge, systems and procedures are in place to monitor
2827 and control the risks involved. A Connecticut credit union that makes
2828 member business loans shall use the services of or employ an
2829 individual for the purpose of processing, making or servicing member
2830 business loans with at least two years direct experience with the types
2831 or categories of member business loans the credit union intends to
2832 make.

2833 (c) The governing board of a Connecticut credit union shall adopt a
2834 specific member business loan policy that shall be a part of the credit
2835 union's loan policy. Such policy shall be reviewed at least annually or
2836 more often if deemed necessary by the governing board and shall
2837 address:

2838 (1) The categories or types of member business loans that will be
2839 made;

2840 (2) The trade area;

2841 (3) The maximum amount of assets, in relation to net worth, that
2842 will be invested in member business lending subject to the limitations
2843 provided in subsection (h) of this section;

2844 (4) The maximum amount of assets, in relation to net worth, that
2845 will be invested in a given category or type of member business loan
2846 subject to the limitations provided in subdivision (2) of subsection (f)
2847 of this section and subsection (i) of this section;

2848 (5) The maximum amount of assets, in relation to net worth, that
2849 will be loaned to one member or associated members, subject to the
2850 limitations provided in subdivision (2) of subsection (f) of this section
2851 and subsection (g) of this section;

2852 (6) The qualifications and experience of the individuals responsible
2853 for processing, approving or administering member business loans;

2854 (7) The required analysis and documentation of the ability of the
2855 borrower to repay the member business loan by the individuals

2856 responsible for processing, approving or administering;

2857 (8) The receipt and periodic updating of financial statements and
2858 other documentation, including tax returns;

2859 (9) The documentation required in support of each loan application,
2860 which shall include the following: (A) Balance sheet, (B) cash flow
2861 analysis, (C) income statement, (D) tax data, (E) analysis of leveraging,
2862 and (F) comparison with industry average or similar analysis. If the
2863 member business loan is secured by a mortgage on income-producing
2864 real estate and if the Connecticut credit union relies upon such real
2865 estate or income production as primary security for the loan, the credit
2866 union shall also obtain and retain in its files such income projection
2867 statements, tenants' financial statements and other credit information
2868 as the credit union deems necessary. The governing board may amend
2869 the member business loan policy to eliminate the requirement for any
2870 documentation that the governing board determines is not generally
2871 available for a particular type of member business loan provided the
2872 reasons for such determination are stated in such amendment;

2873 (10) The collateral requirements which shall include: (A) Loan-to-
2874 value ratios, (B) determination of value, (C) determination of
2875 ownership, (D) steps to secure various types of collateral, and (E)
2876 frequency of re-evaluation of value and marketability of collateral;

2877 (11) The interest rates and maturities of member business loans;

2878 (12) General member business loan procedures which shall include:
2879 (A) Loan monitoring, (B) servicing and administering, and (C)
2880 collection; and

2881 (13) Guidelines for purchase and sale of member business loans and
2882 loan participation if the credit union intends to engage in such activity.

2883 (d) A Connecticut credit union shall not grant a member business
2884 loan if any additional income received by such credit union or a
2885 member of the senior management is tied to the profit or sale of the

2886 business or commercial endeavor for which the loan is made.

2887 (e) Member business loans made to an insider are subject to the
2888 provisions of section 51 of this act.

2889 (f) A Connecticut credit union may make unsecured member
2890 business loans provided:

2891 (1) The aggregate of unsecured net outstanding member business
2892 loan balances to any one member or associated members shall not
2893 exceed the lesser of one hundred thousand dollars or two and one-half
2894 per cent of the credit union's net worth;

2895 (2) The aggregate of all unsecured net outstanding member business
2896 loan balances shall not exceed ten per cent of the credit union's net
2897 worth;

2898 (3) The credit union has a net worth of at least seven per cent; and

2899 (4) The credit union submits quarterly reports to the Commissioner
2900 of Banking providing numbers and such other detail as may be
2901 required by the Commissioner of Banking to demonstrate compliance
2902 with this section.

2903 (g) The aggregate amount of secured and unsecured net outstanding
2904 member business loan balances to any one member or associated
2905 members shall not exceed the greater of one hundred thousand dollars
2906 or fifteen per cent of the credit union's net worth. The Commissioner of
2907 Banking may waive this limit subject to the provisions of subsection (l)
2908 of this section.

2909 (h) (1) The aggregate amount of secured and unsecured net
2910 outstanding member business loan balances shall be limited to the
2911 lesser of twelve and one-quarter per cent of the Connecticut credit
2912 union's total assets or one and three-quarters times the Connecticut
2913 credit union's net worth. The Commissioner of Banking may grant an
2914 exception to the aggregate limit upon written request from a
2915 Connecticut credit union and submission of documentation evidencing

2916 that one of the following three criteria have been met:

2917 (A) The credit union serves predominantly low-income members, as
2918 defined in subsection (f) of section 54 of this act;

2919 (B) The credit union participates in the Community Development
2920 Financial Institutions Program, 12 CFR Part 1805, as from time to time
2921 amended; or

2922 (C) The credit union is established for the purpose of making
2923 member business loans, as supported by its bylaws, business plan,
2924 field of membership, minutes of the governing board and loan
2925 portfolio.

2926 (2) The Commissioner of Banking shall notify the Connecticut credit
2927 union and the National Credit Union Administration of the
2928 Commissioner of Banking's decision on the request for an exception
2929 not later than forty-five days from such request. An exception, if
2930 granted, shall be revoked by the Commissioner of Banking if the
2931 Connecticut credit union ceases to qualify under subparagraph (A), (B)
2932 or (C) of subdivision (1) of this subsection, or for reasons of safety and
2933 soundness.

2934 (i) Unless waived by the Commissioner of Banking under
2935 subsection (l) of this section, a member business loan that is a
2936 construction loan is subject to the following additional requirements:

2937 (1) The aggregate of all construction loans shall not exceed fifteen
2938 per cent of the net worth of the Connecticut credit union;

2939 (2) The borrower shall have at least a thirty-five per cent equity
2940 interest in the real estate being developed or acquired and developed;
2941 and

2942 (3) The loan proceeds shall be released only after on-site, written
2943 inspections by qualified personnel and in accordance with a pre-
2944 approved draw schedule and any other conditions as set forth in the
2945 loan documentation.

2946 (j) Unless waived by the Commissioner of Banking under subsection
2947 (l) of this section, the loan-to-value ratio for a member business loan
2948 secured by a first lien shall not exceed eighty per cent unless the value
2949 in excess of eighty per cent is covered through private mortgage or
2950 equivalent insurance, or is insured or guaranteed or subject to advance
2951 commitment to purchase by an agency of the federal government, or of
2952 a state or any of the political subdivisions of such state, but in no case
2953 shall the loan-to-value ratio exceed ninety-five per cent.

2954 (k) The loan-to-value ratio for any member business loan secured by
2955 a second or lesser priority lien shall not exceed eighty per cent unless
2956 the credit union holds the first lien and the value in excess of eighty
2957 per cent is covered through private mortgage or equivalent insurance,
2958 or is insured or guaranteed or subject to advance commitment to
2959 purchase by an agency of the federal government, or of a state or any
2960 of the political subdivisions of such state, in which case the loan-to-
2961 value ratio of such member business loan shall not exceed ninety-five
2962 per cent.

2963 (l) A Connecticut credit union may request a waiver of the
2964 limitations set forth in subsections (g), (i) and (j) of this section by
2965 submitting the following documentation to the Commissioner of
2966 Banking: (1) A copy of the member business loan policy; (2) a
2967 statement of the higher limit sought, if applicable; (3) an explanation of
2968 the need to raise the limit or change the appraisal requirement, as
2969 applicable; (4) documentation to support the credit union's ability to
2970 manage the activity; (5) an analysis of the credit union's prior
2971 experience in making member business loans, including: (A) The
2972 history of loan losses and loan delinquency, (B) volume and cyclical or
2973 seasonal patterns, (C) diversification, (D) concentrations of credit to
2974 one member or associated members in excess of fifteen per cent of the
2975 credit union's net worth, (E) underwriting standards and practices, (F)
2976 types or categories of loans grouped by purpose and collateral, and (G)
2977 the qualifications of individuals responsible for processing, approving
2978 and administering member business loans. The Commissioner of
2979 Banking will provide a copy of the waiver request to Region 1 of the

2980 National Credit Union Administration and will consult and seek to
2981 work cooperatively with Region 1 in making a decision on the request.
2982 The Commissioner of Banking may grant or deny the waiver within
2983 sixty days of receipt of the request.

2984 (m) Member business loans shall be subject to the appraisal
2985 requirements of 12 CFR Part 722.3, as from time to time amended,
2986 provided the credit union may request a waiver of such appraisal
2987 requirements in accordance with the applicable provisions of
2988 subsection (l) of this section. Such waiver request shall not become
2989 effective until written approval has been granted by both the
2990 Commissioner of Banking and the National Credit Union
2991 Administration.

2992 (n) The Commissioner of Banking may lower any limit provided in
2993 this section, revoke any waiver granted under this section or revoke
2994 the credit union's approval to make member business loans if the
2995 credit union's policies or practices violate safe and sound lending
2996 principles.

2997 (o) Member business loans shall be identified in the aggregate on a
2998 Connecticut credit union's financial statements provided each type or
2999 category of member business loan shall be separately identified in the
3000 credit union's records.

3001 Sec. 60. (NEW) (*Effective October 1, 2002*) (a) The governing board of
3002 a Connecticut credit union shall adopt and implement a written
3003 investment policy governing investments made pursuant to this
3004 section and securities trading, if any. No Connecticut credit union shall
3005 make any investment pursuant to this section unless the purchase and
3006 holding of such investment is consistent with such policy. The policy
3007 shall establish standards for the making of prudent investments which
3008 shall include (1) the rating of individual investments by nationally
3009 recognized rating services, if any, and (2) standards for diversification
3010 of the credit union's investment portfolio among industry categories.
3011 The policy shall provide for the frequent and periodic review by the

3012 credit union of investments made pursuant to the policy and shall
3013 provide for the reasonable and expeditious divestiture of investments
3014 which the governing board, upon its review, no longer deems prudent
3015 or consistent with the credit union's investment policy. The investment
3016 policy and any investment made pursuant to the policy shall be subject
3017 to the supervision of the Commissioner of Banking concerning safe
3018 and sound credit union practices.

3019 (b) The investment officer or investment committee, if any, shall act
3020 for the governing board between meetings of the governing board in
3021 all matters involving investment of funds pursuant to this section.
3022 Such investment officer or committee shall report to the governing
3023 board at each of its regular meetings, during which the governing
3024 board shall review all investments made pursuant to this section, as
3025 well as details of any securities trading engaged in by such credit
3026 union. The minutes of the governing board meetings shall recite the
3027 results of each such review. The governing board shall cause the credit
3028 union to use reasonable efforts to divest as expeditiously as possible
3029 any investment which the governing board, upon its review, no longer
3030 deems prudent or consistent with the Connecticut credit union's
3031 investment policy.

3032 (c) A Connecticut credit union may invest its funds, which are not
3033 committed to loans to members in: (1) Securities, obligations, or other
3034 instruments of, or issued by, or fully guaranteed as to principal and
3035 interest by the United States or any of its agencies or instrumentalities,
3036 or in any trusts established for investing directly or collectively in such
3037 instruments; (2) general obligations and revenue obligations of any
3038 state or territory of the United States, or any political subdivision
3039 thereof, provided such obligations are rated in the three highest rating
3040 categories by a rating service of such obligations recognized by the
3041 Commissioner of Banking and no more than ten per cent of total assets
3042 may be invested in any one issuer; (3) obligations or other instruments
3043 or securities of the Student Loan Marketing Association; (4) federal
3044 funds, shares, share certificates or other share deposits of any other
3045 Connecticut credit union, federal credit union or out-of-state credit

3046 union whose share accounts or deposits are insured by the National
3047 Credit Union Administration, or its successor agency; (5) loans not
3048 exceeding twenty per cent of the lending credit union's total assets to
3049 any other Connecticut credit union, federal credit union or out-of-state
3050 credit union; (6) federal funds of or deposit accounts with a
3051 Connecticut bank, federal bank or out-of-state bank the accounts of
3052 which are insured by the Federal Deposit Insurance Corporation or its
3053 successor agency; (7) shares of, deposits with or loans to any federal
3054 reserve bank or any central liquidity facility established under state or
3055 federal law; (8) shares of, deposits with or loans to any corporate
3056 Connecticut credit union, corporate federal credit union or corporate
3057 out-of-state credit union; (9) shares of stock or obligations of or loans
3058 to a national or state credit union association or credit union
3059 corporation of which the credit union is a member, provided such
3060 investment does not constitute a controlling interest in such association
3061 or corporation or does not in the aggregate exceed one per cent of the
3062 total assets of the credit union; (10) real estate and improvements
3063 thereon, furniture, fixtures and equipment for the present or future use
3064 of the credit union, provided such investment may not in the
3065 aggregate exceed five per cent of the total assets of the credit union
3066 without the written approval of the Commissioner of Banking; (11)
3067 debt mutual funds and equity mutual funds, provided the portfolios of
3068 such mutual funds consist solely of investments described in
3069 subdivisions (1) to (3), inclusive, of this subsection; (12) fixed or
3070 variable rate asset-backed securities, collateralized mortgage
3071 obligations and real estate mortgage investment conduits, except
3072 stripped mortgage-backed securities, residual interests, mortgage
3073 servicing rights, commercial mortgage related securities or small
3074 business-related securities; (13) money market funds rated in the three
3075 highest rating categories by a rating service of such funds recognized
3076 by the Commissioner of Banking; (14) repurchase agreements and
3077 reverse repurchase agreements provided (A) the underlying securities
3078 are legal investments for Connecticut credit unions, (B) the
3079 Connecticut credit union receives a daily assessment of the market
3080 value of the underlying securities, including accrued interest, and

3081 maintains an adequate margin that reflects a risk assessment of the
3082 underlying securities and the term of the agreement, and (C) the
3083 Connecticut credit union has entered into signed contracts with all
3084 approved counterparties; and (15) Yankee dollar deposits, Eurodollar
3085 deposits, banker's acceptances, deposit notes and bank notes with
3086 original weighted average maturities of less than five years and issued
3087 by a Connecticut bank, federal bank or out-of-state bank.

3088 (d) A Connecticut credit union may, subject to the provisions of
3089 subsections (e) and (f) of section 62 of this act, invest its funds in or
3090 make loans to credit union service organizations provided (1) the total
3091 of any such investment in or loan to any one credit union service
3092 organization does not exceed two per cent of the total assets of the
3093 credit union without regard to the amount derived from the
3094 profitability of such credit union service organization, and (2) the
3095 credit union shall file with the Commissioner of Banking prior written
3096 notice of its intention to make such investment or loan. The
3097 Connecticut credit union may make such investment or loan unless the
3098 Commissioner of Banking disapproves such investment or loan not
3099 later than thirty business days after the notice is filed.

3100 (e) In addition to other investments authorized by this section, a
3101 Connecticut credit union may, with the prior written approval of the
3102 Commissioner of Banking, invest its funds in: (1) Debt securities,
3103 equity securities, debt mutual funds and equity mutual funds without
3104 regard to any other liability to the Connecticut credit union of the
3105 maker, obligor, guarantor or issuer of such securities and mutual funds
3106 provided: (A) The securities and mutual funds are rated in the three
3107 highest rating categories by a rating service of such securities and
3108 mutual funds recognized by the Commissioner of Banking or, if not so
3109 rated, are determined by the credit union's governing board to be a
3110 prudent investment, (B) the total amount of such securities and mutual
3111 funds of any one maker, obligor or issuer invested in by a Connecticut
3112 credit union may not exceed at any time twenty-five per cent of its
3113 capital, (C) the total amount of such debt securities and debt mutual
3114 funds may not exceed at any time twenty-five per cent of its total

3115 assets, (D) the total amount of such equity securities and equity mutual
3116 funds may not exceed at any time twenty-five per cent of its total
3117 assets, and (E) a Connecticut credit union may not engage in securities
3118 trading, including when-issued trading and pair-off transactions
3119 without additional prior written approval of the Commissioner of
3120 Banking; and (2) subject to any limitations imposed by the
3121 Commissioner of Banking, in any other investment the Commissioner
3122 of Banking deems appropriate in light of such factors as the financial
3123 condition and strategic goals of the Connecticut credit union and the
3124 degree of risk inherent in the investment, provided the credit union
3125 demonstrates that sufficient resources, knowledge, systems and
3126 procedures are in place to monitor and control the risks involved.

3127 (f) All securities in which a Connecticut credit union invests shall be
3128 registered in the name of the credit union. Records of securities owned
3129 by such credit union shall be maintained at the main office of such
3130 credit union. The records held by such credit union concerning its
3131 account with any of the depositories or financial institutions holding
3132 its securities, and the securities registered in its name and held by it,
3133 shall be subject to inspection at any time during business hours by any
3134 director, member of senior management or member of the supervisory
3135 committee of the Connecticut credit union.

3136 (g) As used in this section: (1) "Debt mutual funds" means
3137 partnership interests in, shares of stock of, units of beneficial interest in
3138 or other ownership interest in any one investment company registered
3139 under the Investment Company Act of 1940, as from time to time
3140 amended, commonly described as mutual funds, money market funds,
3141 investment trusts or business trusts, provided the portfolios of such
3142 investment companies consist solely of investments described in
3143 subdivision (3) of this subsection.

3144 (2) "Equity mutual funds" means partnership interests in, shares of
3145 stock of, units of beneficial interest in or other ownership interest in
3146 any one investment company which is registered under the Investment
3147 Company Act of 1940, as from time to time amended, commonly

3148 described as mutual funds, money market funds, investment trusts or
3149 business trusts, but excludes debt mutual funds, as defined in
3150 subdivision (1) of this subsection.

3151 (3) "Debt securities" means (A) any marketable obligation
3152 evidencing indebtedness of any person in the form of direct, assumed
3153 or guaranteed bonds, notes or debentures or any security that has
3154 attributes similar to such marketable obligations; (B) any obligation
3155 identified by certificates of participation in investments described in
3156 subparagraph (A) of this subdivision in which a Connecticut credit
3157 union could invest directly; or (C) repurchase agreements.

3158 (4) "Equity securities" means any stock or similar security, certificate
3159 of interest or participation in any profit-sharing agreement,
3160 preorganization certificate or subscription, transferable share, voting
3161 trust certificate or certificate of deposit for an equity security, limited
3162 partnership interest, interest in a joint venture or certificate of interest
3163 in a business trust; or any security convertible, with or without
3164 consideration, into such a security, or carrying any warrant or right to
3165 subscribe to or purchase such a security; or any such warrant or right;
3166 or any put, call, straddle or other option or privilege of buying such a
3167 security from or selling such a security to another without being bound
3168 to do so, but excludes debt mutual funds, as defined in subdivision (1)
3169 of this subsection, and equity mutual funds, as defined in subdivision
3170 (2) of this subsection.

3171 Sec. 61. (NEW) (*Effective October 1, 2002*) (a) A single corporate
3172 Connecticut credit union may be organized and operated as a
3173 Connecticut credit union under the provisions of sections 34 to 73,
3174 inclusive, of this act, and shall be subject to the provisions of said
3175 sections 34 to 73, inclusive, which are not inconsistent with this section.
3176 The corporate Connecticut credit union shall use the word "corporate"
3177 in its official name.

3178 (b) The field of membership of the corporate Connecticut credit
3179 union shall be limited to Connecticut credit unions, federal credit

3180 unions, out-of-state credit unions, credit union service organizations,
3181 organizations and associations of any such member credit unions or
3182 credit union service organizations, organizations and associations of
3183 directors or members of senior management of any such member
3184 credit unions, and subsidiaries of such organizations and associations
3185 and the natural person organizers of such corporate Connecticut credit
3186 union. The bylaws of the corporate Connecticut credit union shall
3187 contain such provisions as are necessary to define classes of
3188 membership and services that may be provided to members.

3189 (c) Each member of the corporate Connecticut credit union shall be
3190 represented at any meeting of members by one individual who has
3191 been duly authorized by such member. Only such individual so
3192 authorized may cast the vote of the member it represents at such
3193 meetings.

3194 (d) Any director, general partner, manager, employee or board-
3195 appointed committee member of any member, and any employee of
3196 the corporate Connecticut credit union may serve as a director, or
3197 committee member of the corporate Connecticut credit union subject to
3198 any additional criteria imposed by the bylaws of the corporate
3199 Connecticut credit union.

3200 (e) (1) The corporate Connecticut credit union may invest its funds,
3201 which are not committed to loans to members, in accordance with
3202 section 60 of this act, provided investments in debt securities, as
3203 defined in section 60 of this act, and credit union service organizations
3204 shall be made in accordance with the investment limits of 12 CFR Part
3205 704, as from time to time amended, and whenever the National Credit
3206 Union Administration approval is required under 12 CFR Part 704, as
3207 from time to time amended, the corporate Connecticut credit union
3208 shall obtain similar approval from the Commissioner of Banking.

3209 (2) With the approval of the Commissioner of Banking, the
3210 corporate Connecticut credit union may accept investments from
3211 member and nonmember financial institutions and such investments

3212 shall be a part of the paid-in capital of the corporate Connecticut credit
3213 union, but shall not be deemed to be shares of the corporate
3214 Connecticut credit union.

3215 (f) Loans to members shall be in accordance with sections 57 to 59,
3216 inclusive, of this act, provided such loans shall not exceed the lending
3217 limits of 12 CFR Part 704.7(c), as from time to time amended. Loans
3218 sold by the corporate Connecticut credit union to the central liquidity
3219 facility or securities sold subject to repurchase shall not be treated as
3220 funds borrowed by the corporate Connecticut credit union,
3221 notwithstanding the recourse rights or repurchase liability inherent in
3222 such transactions.

3223 (g) (1) The corporate Connecticut credit union may: (A) Borrow
3224 funds, provided such borrowing shall not exceed the borrowing limits
3225 of 12 CFR Part 704.9(b), as from time to time amended, (B) become the
3226 agent member for this state in any central liquidity facility for credit
3227 unions authorized by federal law, (C) invest in such central liquidity
3228 facility for such amount as may be required in order to secure for the
3229 corporate Connecticut credit union and its members full participation
3230 in the functions of that facility, (D) receive and hold deposits or
3231 investments of such facility, (E) enter into correspondent relationships
3232 with other financial institutions and establish and maintain with or
3233 establish and maintain on such credit union's books for such other
3234 institutions any accounts which are normally required as part of the
3235 correspondent relationship, (F) establish and maintain one or more
3236 credit union service organizations as provided in section 62 of this act,
3237 and (G) provide custodial or safekeeping services to its members for
3238 securities owned by such members.

3239 (2) The corporate Connecticut credit union shall contribute to
3240 reserves an amount equal to that required by 12 CFR 704.3(c), as from
3241 time to time amended.

3242 Sec. 62. (NEW) (*Effective October 1, 2002*) (a) With the approval of the
3243 Commissioner of Banking and in accordance with subsection (d) of

3244 section 60 of this act, a Connecticut credit union may establish a
3245 Connecticut credit union service organization by itself or jointly with
3246 one or more other Connecticut credit unions, federal credit unions,
3247 out-of-state credit unions or other federally-insured depository
3248 institutions within or outside of this state. The establishing
3249 Connecticut credit union shall file with the Commissioner of Banking
3250 an application, which shall include a description of the credit union
3251 service organization services to be engaged in by the Connecticut
3252 credit union service organization, an explanation of how the proposed
3253 services are related to credit union services, and any other information
3254 that the Commissioner of Banking may require. Such credit union
3255 service organization shall be organized as a corporation, limited
3256 liability company or limited partnership, provided the establishing
3257 Connecticut credit union obtains and files together with its application
3258 a written legal opinion that any such limited liability company or
3259 limited partnership is established in a manner that will limit potential
3260 exposure of such Connecticut credit union to no more than the amount
3261 of funds invested in or lent to the Connecticut credit union service
3262 organization by such Connecticut credit union.

3263 (b) A Connecticut credit union service organization shall (1) account
3264 for all transactions in accordance with generally accepted accounting
3265 principles, (2) prepare quarterly financial statements and obtain an
3266 annual opinion audit by a licensed certified public accountant on its
3267 financial statements in accordance with generally accepted auditing
3268 standards, (3) preserve all of its books and records in accordance with
3269 regulations applicable to Connecticut credit unions adopted by the
3270 Commissioner of Banking pursuant to chapter 54 of the general
3271 statutes, (4) provide the Commissioner of Banking with complete
3272 access to its books, records and internal controls for review, evaluation
3273 and examination, and (5) pay the actual cost of any such review,
3274 evaluation or examination conducted by the Commissioner of
3275 Banking.

3276 (c) A Connecticut credit union service organization may expand its
3277 credit union service organization services by filing with the

3278 Commissioner of Banking prior written notice of its intention to
3279 engage in such expanded services, including a description of the
3280 proposed expanded services, an explanation of how the proposed
3281 expansion is related to credit union services, and any other
3282 information that the Commissioner of Banking may require. The
3283 Connecticut credit union service organization may expand its services
3284 unless the Commissioner of Banking disapproves such expansion not
3285 later than thirty business days after the notice is filed.

3286 (d) A Connecticut credit union service organization shall not acquire
3287 control, either directly or indirectly, of another depository financial
3288 institution, nor invest in shares, stocks or obligations of an insurance
3289 company, trade association, liquidity facility, or similar organization,
3290 corporation or association.

3291 (e) A Connecticut credit union service organization shall be subject
3292 to the conservatorship and receivership provisions of sections 36a-215
3293 to 36a-239, inclusive, of the general statutes.

3294 (f) A Connecticut credit union may invest its funds in or lend to an
3295 existing credit union service organization in accordance with
3296 subsection (d) of section 60 of this act.

3297 (g) (1) Prior to investing in or lending to a credit union service
3298 organization, a Connecticut credit union shall obtain (A) a written
3299 agreement that the credit union service organization will: (i) Account
3300 for all transactions in accordance with generally accepted accounting
3301 principles, (ii) prepare quarterly financial statements and obtain an
3302 annual opinion audit by a licensed certified public accountant on its
3303 financial statements in accordance with generally accepted auditing
3304 standards, (iii) provide the Commissioner of Banking with complete
3305 access to all books and records of the credit union service organization
3306 and with the ability to review credit union service organization
3307 internal controls, as the Commissioner of Banking deems necessary,
3308 and (iv) pay the actual cost of any examination conducted by the
3309 Commissioner of Banking; and (B) a written legal opinion that the

3310 credit union service organization is established as a corporation,
3311 limited partnership or limited liability company and the potential
3312 exposure of the Connecticut credit union is limited to no more than the
3313 loss of funds invested in or lent to the credit union service
3314 organization. In order for a Connecticut credit union to maintain its
3315 investment in or loan to a credit union service organization that plans
3316 to change its form of organization, the Connecticut credit union shall
3317 obtain a written legal opinion that the credit union service
3318 organization will continue in such form that will limit potential
3319 exposure to the Connecticut credit union to no more than the loss of
3320 funds invested in or lent to the credit union service organization.

3321 (2) If the Commissioner of Banking determines that a Connecticut
3322 credit union's investments in or loans to any credit union service
3323 organization exceed the limitations of this section or subsection (d) of
3324 section 60 of this act, or is otherwise not prudent for the Connecticut
3325 credit union to maintain, the Commissioner of Banking may require
3326 the Connecticut credit union to divest such loans or investments.

3327 (h) In connection with providing credit union service organization
3328 services, a Connecticut credit union service organization may invest in
3329 service providers. Any such investment shall be limited to the amount
3330 required by the service provider to obtain its services.

3331 (i) A Connecticut credit union may, in order to obtain credit union
3332 service organization services or to provide credit union service
3333 organization services to its members, or to enable its members to
3334 conduct transactions through a credit union service organization,
3335 whether or not it establishes, invests its funds in or lends to a credit
3336 union service organization pursuant to subsection (a) or (f) of this
3337 section, enter into agreements with and pay appropriate fees and
3338 service charges to a credit union service organization.

3339 (j) As frequently as the Commissioner of Banking deems
3340 appropriate or necessary, the Commissioner of Banking may conduct
3341 an examination of the records and books of a Connecticut credit union

3342 service organization or a credit union service organization in which a
3343 Connecticut credit union has invested or to which it has lent funds.

3344 (k) Each Connecticut credit union service organization and each of
3345 its directors, officers, managers, general partners, employees and
3346 authorized agent of a Connecticut credit union service organization
3347 who has charge or possession of the funds, securities or other assets of
3348 such credit union service organization shall be bonded by a surety
3349 company authorized to do business in this state. Such bond shall be in
3350 favor of the Connecticut credit union service organization and in such
3351 amount as is approved by the board of directors, managers or general
3352 partners of the credit union service organization, which amount the
3353 Commissioner of Banking may require to be increased for reasons of
3354 safety and soundness. A copy of each such bond and any renewal
3355 thereof or premium receipt therefor shall be promptly filed with the
3356 Commissioner of Banking by the Connecticut credit union service
3357 organization.

3358 Sec. 63. (NEW) (*Effective October 1, 2002*) (a) No Connecticut credit
3359 union shall establish a branch in this state or outside of this state unless
3360 prior to such establishment the credit union has filed with the
3361 Commissioner of Banking an application to establish a branch and
3362 such application has not been disapproved by the Commissioner of
3363 Banking not later than thirty days after the application has been filed
3364 with the Commissioner of Banking.

3365 (b) The Commissioner of Banking may disapprove an application to
3366 establish a branch if the Commissioner of Banking finds that: (1)
3367 Establishment of the proposed branch is inconsistent with safety and
3368 soundness; (2) establishment of the proposed branch is inconsistent
3369 with the Connecticut credit union's field of membership; (3) in the case
3370 of a Connecticut credit union whose membership is limited to persons
3371 with a single common bond or multiple common bond, establishment
3372 of the proposed branch will result in an impermissible overlap with
3373 the field of membership of other credit unions in the town in which the
3374 branch is to be located; (4) in the case of a Connecticut credit union

3375 whose membership is limited to a well-defined community,
3376 neighborhood or rural district, (A) the proposed branch is not
3377 generally accessible to the public, (B) the establishment of the
3378 proposed branch will result in an oversaturation of financial
3379 institutions in the town in which the branch is to be located, or (C)
3380 such credit union does not have a record of compliance with the
3381 requirements of public act 01-9, as amended by this act; or (5) in the
3382 case of an out-of-state branch, the laws of such other state do not
3383 authorize the establishment of such branch.

3384 (c) Except as provided in subsection (b) of this section, a Connecticut
3385 credit union may establish or operate a branch in the same or
3386 approximately the same location as another financial institution,
3387 provided any such institution's insurable accounts or deposits are
3388 federally insured.

3389 (d) (1) A Connecticut credit union that proposes to close a branch
3390 within or outside of this state shall submit to the Commissioner of
3391 Banking a notice of the proposed closing as soon as possible but not
3392 less than thirty days prior to the closing date. The notice shall include a
3393 detailed statement of the reasons for the decision to close the branch.

3394 (2) The Connecticut credit union shall provide notice of the
3395 proposed closing to its members by:

3396 (A) Posting such notice in a conspicuous manner on the premises of
3397 the branch proposed to be closed at least thirty days prior to the
3398 closing, and

3399 (B) Including such notice in at least one regular account statement
3400 mailed to its members who utilize the branch proposed to be closed, or
3401 in a separate mailing to such members at least thirty days prior to the
3402 closing date.

3403 (e) With the approval of the Commissioner of Banking, any
3404 Connecticut credit union may relocate any branch within this state in
3405 accordance with such notice and other requirements as the

3406 Commissioner of Banking may prescribe. As used in this subsection,
3407 "relocate" means to move within the same immediate neighborhood
3408 without substantially affecting the nature of the business or members
3409 served.

3410 (f) The Commissioner of Banking may examine and supervise the
3411 out-of-state branches of any Connecticut credit union and may enter
3412 into agreements with other state or federal credit union regulators
3413 concerning such examination or supervision.

3414 Sec. 64. (NEW) (*Effective October 1, 2002*) (a) (1) An out-of-state, state-
3415 chartered credit union may, with the prior written approval of the
3416 Commissioner of Banking, establish a branch in this state, provided the
3417 laws of such state authorize under conditions no more restrictive than
3418 those imposed by the laws of this state as determined by the
3419 Commissioner of Banking, a Connecticut credit union to establish a
3420 branch in that state. The Commissioner of Banking shall not grant
3421 approval unless the Commissioner of Banking determines that such
3422 out-of-state credit union: (A) Is financially solvent; (B) maintains share
3423 insurance as required under the Federal Credit Union Act; and (C) is
3424 effectively examined and supervised by an official of the state in which
3425 it is chartered. The Commissioner of Banking may disapprove the
3426 establishment of any such branch if any of the reasons specified in
3427 subsection (b) of section 63 of this act, if applied to an out-of-state
3428 state-chartered credit union, exists. An out-of-state, state-chartered
3429 credit union that has established a branch in this state may, with the
3430 approval of the Commissioner of Banking, establish additional
3431 branches in this state in accordance with this section.

3432 (2) An out-of-state, federally-chartered credit union may, with prior
3433 written notice to the Commissioner of Banking, establish a branch or
3434 additional branches in this state. A federal credit union may, with
3435 prior written notice to the Commissioner of Banking, establish
3436 additional branches in this state.

3437 (b) The Commissioner of Banking may examine and supervise the

3438 Connecticut branches of any out-of-state, state-chartered credit union
3439 and may enter into agreements with other state credit union regulators
3440 concerning such examinations or supervision.

3441 (c) The Commissioner of Banking may, after giving notice and an
3442 opportunity to be heard to any out-of-state, state-chartered credit
3443 union, revoke or suspend the approval given to such out-of-state credit
3444 union to establish a branch in this state for any reason that would be
3445 sufficient grounds to deny an application to establish a branch in this
3446 state.

3447 Sec. 65. (NEW) (*Effective October 1, 2002*) (a) The Commissioner of
3448 Banking may require any out-of-state, state-chartered or federally-
3449 chartered credit union that maintains a branch in this state pursuant to
3450 section 64 of this act, to submit an annual audit report to the
3451 Commissioner of Banking.

3452 (b) An out-of-state, state-chartered or federally-chartered credit
3453 union that maintains a branch in this state that is required under
3454 federal law to submit a net worth restoration plan to the board of the
3455 National Credit Union Administration shall simultaneously submit an
3456 executed copy of such plan to the Commissioner of Banking.

3457 Sec. 66. (NEW) (*Effective October 1, 2002*) (a) With the approval of the
3458 Commissioner of Banking, a Connecticut credit union may relocate its
3459 main office anywhere within the state.

3460 (b) The Commissioner of Banking, before granting an approval
3461 under subsection (a) of this section, shall consider: (1) The field of
3462 membership of the Connecticut credit union to be served by the
3463 proposed relocation of the main office of the Connecticut credit union;
3464 (2) the adequacy of the current main office of the Connecticut credit
3465 union; (3) the economic need for and cost of such proposed relocation;
3466 and (4) the convenience and necessity to the field of membership of the
3467 proposed relocation.

3468 Sec. 67. (NEW) (*Effective October 1, 2002*) (a) With the approval of the

3469 Commissioner of Banking, a Connecticut credit union may merge with
3470 a Connecticut credit union, a federal credit union or an out-of-state
3471 credit union in accordance with the requirements of this section. In the
3472 case of a merger with an out-of-state state-chartered credit union
3473 where the resulting institution is the out-of-state state-chartered credit
3474 union, the Commissioner of Banking may not approve such merger
3475 unless such out-of-state credit union maintains share insurance as
3476 required by the Federal Credit Union Act and the laws of the
3477 chartering state of such credit union authorize, under conditions no
3478 more restrictive than those imposed by the laws of this state as
3479 determined by the Commissioner of Banking, a Connecticut credit
3480 union to merge with a credit union chartered in that state. Any federal
3481 credit union or out-of-state federally-chartered credit union proposing
3482 to merge with a Connecticut credit union shall comply with all federal
3483 laws to effect the merger and shall file proof of such compliance with
3484 the Commissioner of Banking and any additional information that the
3485 Commissioner of Banking may require. Any out-of-state state-
3486 chartered credit union proposing to merge with a Connecticut credit
3487 union shall comply with all laws of its chartering state to effect the
3488 merger and shall file proof of such compliance with the Commissioner
3489 of Banking and any additional information that the Commissioner of
3490 Banking may require.

3491 (1) The governing boards of the credit unions proposing to merge
3492 shall (A) adopt by majority vote a plan of merger, which shall set forth
3493 the name of each credit union proposing to merge and that of the
3494 resulting credit union, and the terms and conditions of the proposed
3495 merger, including the proposed field of membership of the resulting
3496 credit union; (B) enter into a merger agreement; (C) file with the
3497 Commissioner of Banking an application in accordance with
3498 subdivision (2) of this subsection; and (D) in the case of a terminating
3499 Connecticut credit union, submit the plan of merger to its members in
3500 accordance with subdivision (3) of this subsection.

3501 (2) The credit unions proposing to merge shall file an application
3502 with the Commissioner of Banking. Such application shall include (A)

3503 the plan of merger and a copy of the minutes of each of the governing
3504 boards adopting the plan of merger; (B) the merger agreement; (C) an
3505 original proposed certificate of amendment to the resulting credit
3506 union's certificate of incorporation and proposed amended bylaws, if
3507 applicable; (D) financial statements of the merging credit unions and a
3508 pro forma financial statement of the resulting institution; (E) in the
3509 case of a terminating Connecticut credit union, a proposed written
3510 notice to its members of the date, time and place of the meeting at
3511 which its members shall vote on the plan of merger and a proposed
3512 form of any ballot and proxy; (F) information addressing the
3513 considerations required under subsection (b) of this section; and (G)
3514 such additional information as the Commissioner of Banking may
3515 require.

3516 (3) A terminating Connecticut credit union shall give written notice
3517 of the date, time and place of the meeting at which its members shall
3518 vote on the plan of merger. Such notice shall state that the purpose of
3519 the meeting is to consider the plan of merger and contain or be
3520 accompanied by a copy or summary of the plan. The notice shall be
3521 hand-delivered or mailed to each member at such member's last-
3522 known address as shown on the records of the credit union not less
3523 than thirty nor more than fifty days prior to the date of the meeting.
3524 Unless waived by the Commissioner of Banking in accordance with
3525 subdivision (2) of subsection (b) of this subsection, the affirmative vote
3526 of two-thirds of the members of the terminating Connecticut credit
3527 union voting on the plan of merger shall be required for approval of
3528 the merger. The terminating Connecticut credit union shall file with
3529 the Commissioner of Banking a verified statement that the merger has
3530 been duly noticed and approved by its members in accordance with
3531 this subdivision.

3532 (b) (1) The Commissioner of Banking shall not approve a merger
3533 pursuant to this section unless the Commissioner of Banking considers
3534 whether (A) the merging credit unions have engaged in any unsafe or
3535 unsound practice during the one-year period preceding the date on
3536 which the merger application is filed with the Commissioner of

3537 Banking; (B) the resulting credit union will be adequately capitalized;
3538 (C) the resulting credit union will have the managerial capability and
3539 the financial resources to serve the proposed membership; (D) the
3540 proposed merger will substantially lessen competition in the
3541 Connecticut credit union industry; and (E) the proposed merger will
3542 have a beneficial effect in meeting the convenience and needs of the
3543 proposed membership.

3544 (2) The Commissioner of Banking may approve a merger pursuant
3545 to this section without regard to field of membership or may waive the
3546 membership vote if the Commissioner of Banking certifies in writing
3547 that based on the information available to the Commissioner of
3548 Banking, one or more of the Connecticut credit unions proposing to
3549 merge are or will be in a doubtful or failing financial condition, other
3550 alternatives to the merger are not reasonably available to protect the
3551 credit unions' members and creditors, or an emergency requiring
3552 expeditious action exists, which certification shall be attached to the
3553 Commissioner of Banking's approval.

3554 (3) If the Commissioner of Banking is satisfied that the requirements
3555 of this act have been complied with, the Commissioner of Banking
3556 shall issue an approval of the merger, which approval may contain
3557 such terms and conditions as the Commissioner of Banking deems
3558 necessary or appropriate. After approval of the merger by the
3559 Commissioner of Banking, the resulting credit union shall file a copy
3560 of the merger agreement, the plan of merger, the certificate of
3561 amendment to its certificate of incorporation, if any, and the
3562 Commissioner of Banking's approval in the office of the Secretary of
3563 the State. Within ten days after such documents are filed with the
3564 Secretary of the State, the resulting credit union shall file with the
3565 Commissioner of Banking copies of such filed documents, and in the
3566 case of a Connecticut credit union that is the resulting credit union, a
3567 copy of its amended bylaws, if any.

3568 (c) Upon the effective date of the merger, (1) the corporate existence
3569 of the parties to the merger shall be continued by and in the resulting

3570 credit union; (2) the entire assets, business, good will and franchises of
3571 each of the parties to the merger shall be vested in the resulting credit
3572 union without any deed, endorsement or other instrument of transfer;
3573 and (3) all of the debts, obligations and liabilities of the parties to the
3574 merger shall be assumed by the resulting credit union.

3575 Sec. 68. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
3576 union that has been in existence and continuously operating for at least
3577 five years may convert into a federal credit union upon the approval of
3578 the conversion by the Commissioner of Banking as provided in this
3579 section.

3580 (b) The Connecticut credit union proposing to convert shall file an
3581 application with the Commissioner of Banking. Such application shall
3582 include (A) a plan of conversion adopted by a majority vote of the
3583 governing board and a copy of the governing board's resolution
3584 adopting the plan of conversion, (B) a proposed written notice of the
3585 date, time and place of a regular or special meeting of the members of
3586 the converting Connecticut credit union for the vote on the proposed
3587 conversion, including a proposed form of any proxy and mail ballot,
3588 (C) proof of compliance with all applicable federal laws to effect the
3589 conversion, and (D) any additional information as the Commissioner
3590 of Banking may require.

3591 (c) The converting Connecticut credit union shall give written notice
3592 of the date, time and place of the meeting at which the plan of
3593 conversion is to be considered, which notice shall be hand-delivered or
3594 mailed to each member of the converting Connecticut credit union at
3595 such member's last-known address as shown on the records of such
3596 Connecticut credit union not less than thirty nor more than fifty days
3597 prior to the date of the meeting.

3598 (d) Each member of the converting Connecticut credit union may
3599 cast one vote on the proposed plan of conversion. The affirmative vote
3600 of two-thirds of all the members voting, including those votes cast in
3601 person and those ballots properly completed and received by the

3602 credit union prior to the time of the meeting, shall be required for
3603 approval of the proposed conversion. A statement of the results of the
3604 vote, verified by the secretary of the meeting, shall be filed with the
3605 Commissioner of Banking within ten days after the meeting.

3606 (e) The Commissioner of Banking shall approve a conversion under
3607 this section if the Commissioner of Banking determines that the
3608 converting credit union has complied with the requirements of
3609 sections 34 to 73, inclusive, of this act.

3610 (f) Promptly after receipt of the Commissioner of Banking's
3611 approval and in no event later than ninety days thereafter, the
3612 converting Connecticut credit union shall take such action as may be
3613 necessary under the applicable federal law to make it a federal credit
3614 union. Within ten days after the converting Connecticut credit union
3615 receives a federal credit union charter and a certificate of insurance,
3616 such credit union shall file with the Commissioner of Banking a copy
3617 of the federal charter and certificate of insurance.

3618 (g) The converting credit union shall, within ninety days after the
3619 receipt of a charter as a federal credit union: (A) File with the Secretary
3620 of the State a certificate, signed by any two officers under oath stating
3621 that the credit union has converted to a federal credit union pursuant
3622 to this section and the approval of the Commissioner of Banking; (B)
3623 obtain from the Secretary of the State one or more certified copies of
3624 the certificate and the Commissioner of Banking's approval; and (C)
3625 record the certified copies in the office of the town clerk of each town
3626 in this state where such credit union owns real property.

3627 (h) The converted federal credit union possesses all of the rights,
3628 privileges and powers granted to it by its federal charter, and all of the
3629 assets, business and good will of the converting institution are
3630 transferred to and vested in it without any deed or instrument of
3631 conveyance provided the converting credit union may execute any
3632 deed or instrument of conveyance as is convenient to confirm such
3633 transfer. The converted credit union is subject to all of the duties,

3634 relations, obligations, trusts and liabilities of the converting credit
3635 union, whether as debtor, depository, registrar, transfer agent,
3636 executor, administrator, trustee or otherwise, and is liable to pay and
3637 discharge all such debts and liabilities, to perform all such duties and
3638 to administer all such trusts in the same manner and to the same extent
3639 as if the converted credit union had itself incurred the obligation or
3640 liability or assumed the duty, relation or trust. All rights of creditors of
3641 the converting credit union and all liens upon the property of such
3642 institution are preserved unimpaired and the converted credit union is
3643 entitled to receive, accept, collect, hold and enjoy any and all gifts,
3644 bequests, devises, conveyances, trusts and appointments in favor of or
3645 in the name of the converting credit union and whether made or
3646 created to take effect prior to or after the conversion.

3647 Sec. 69. (NEW) (*Effective October 1, 2002*) (a) A federal credit union or
3648 an out-of-state credit union may convert into a Connecticut credit
3649 union by (1) complying with all federal requirements or requirements
3650 of the chartering state for conversion; (2) filing with the Commissioner
3651 of Banking proof of such compliance; and (3) filing with the
3652 Commissioner of Banking an application which shall include: (A) A
3653 plan of conversion and a copy of the governing board's resolution
3654 adopting the plan of conversion, (B) a three-year business plan,
3655 including pro forma financial statements, (C) a copy of the proposed
3656 certificate of incorporation signed by the proposed directors and a
3657 copy of the proposed bylaws, (D) information addressing the
3658 determinations contained in subsection (b) of this section, and (E) any
3659 additional information as the Commissioner of Banking may require.

3660 (b) When the Commissioner of Banking has been satisfied that all of
3661 the requirements of subsection (a) of this section, and all other
3662 requirements of sections 34 to 73, inclusive, of this act, have been
3663 complied with, and the Commissioner of Banking determines that (1)
3664 the conversion would serve the economic needs of the proposed field
3665 of membership and is in accordance with sound credit union practices,
3666 (2) the converting credit union will have the managerial capacity and
3667 the financial resources to serve the proposed membership group, and

3668 (3) the converting credit union has adequate net worth to meet all
3669 applicable regulatory requirements, the Commissioner of Banking
3670 shall (A) issue an approval of the conversion, which may contain such
3671 conditions as the Commissioner of Banking may require, and (B) issue
3672 a certificate of authority to engage in the business of a Connecticut
3673 credit union.

3674 (c) The converting credit union shall promptly file and record the
3675 approval, its certificate of incorporation and the certificate of authority
3676 with the Secretary of the State. Upon such filing and recording, the
3677 federal credit union or out-of-state credit union shall become a
3678 Connecticut credit union as of the date it ceases to be a federal credit
3679 union or out-of-state credit union. A copy of the converting credit
3680 union's certificate of incorporation and the certificate of authority,
3681 certified by the Secretary of the State, shall be filed with the
3682 Commissioner of Banking within ten days of the filing of such
3683 documents.

3684 (d) The converted Connecticut credit union possesses all of the
3685 rights, privileges and powers granted to it by its certificate of
3686 incorporation, and all of the assets, business and good will of the
3687 converting credit union are transferred to and vested in it without any
3688 deed or instrument of conveyance provided the converting credit
3689 union may execute any deed or instrument of conveyance as is
3690 convenient to confirm such transfer. The converted credit union is
3691 subject to all of the duties, relations, obligations, trusts and liabilities of
3692 the converting credit union, whether as debtor, depository, registrar,
3693 transfer agent, executor, administrator, trustee or otherwise, and is
3694 liable to pay and discharge all such debts and liabilities, to perform all
3695 such duties and to administer all such trusts in the same manner and
3696 to the same extent as if the converted credit union had itself incurred
3697 the obligation or liability or assumed the duty, relation or trust. All
3698 rights of creditors of the converting credit union and all liens upon the
3699 property of such credit union are preserved unimpaired and the
3700 converted institution is entitled to receive, accept, collect, hold and
3701 enjoy any and all gifts, bequests, devises, conveyances, trusts and

3702 appointments in favor of or in the name of the converting credit union
3703 and whether made or created to take effect prior to or after the
3704 conversion.

3705 (e) Within ninety days of conversion, the Connecticut credit union
3706 shall record a certificate, signed by any two officers stating that the
3707 conversion is effective, in the office of the town clerk in each town in
3708 this state where the Connecticut credit union owns real property.

3709 Sec. 70. (NEW) (*Effective October 1, 2002*) (a) (1) Any Connecticut
3710 credit union or federal credit union may convert into a mutual savings
3711 bank, a mutual savings and loan association, or a mutual community
3712 bank, as defined in subsection (r) of section 36a-70 of the general
3713 statutes, as amended, in accordance with the provisions of this section.

3714 (2) Any conversion of a federal credit union pursuant to this section
3715 shall be authorized only if permitted by federal law and shall be
3716 subject to all requirements prescribed by federal law.

3717 (3) The converting credit union shall file with the Commissioner of
3718 Banking: (A) A proposed plan of conversion which shall include
3719 current financial reports, current delinquent loan schedules, a
3720 combined financial report if applicable, a proposed business plan, a
3721 three-year financial forecast prepared by a certified public accounting
3722 firm or other professional firm approved by the commissioner,
3723 analyses of the regulatory effect of the conversion brought about by a
3724 change in the regulator, a method and schedule for terminating any
3725 nonconforming activities that would result from such conversion; (B) a
3726 copy of the proposed certificate of incorporation and proposed bylaws;
3727 and (C) a certificate by the secretary of the converting credit union that
3728 the proposed conversion has been approved by the governing board
3729 and the members, in accordance with subdivision (4) of this subsection
3730 in the case of a converting Connecticut credit union, and in accordance
3731 with federal law in the case of a converting federal credit union.

3732 (4) In the case of a converting Connecticut credit union, the plan of
3733 conversion shall require the approval of a majority of the governing

3734 board. After approving the plan of conversion, the governing board of
3735 the converting Connecticut credit union shall establish the date and
3736 time of a regular or special meeting of members for vote on the
3737 proposal. Written notice of the meeting at which the proposal is to be
3738 considered together with a mail ballot and a disclosure statement shall
3739 be hand-delivered or mailed to each member, at such member's last-
3740 known address as shown on the records of the converting Connecticut
3741 credit union, not more than thirty days nor less than fourteen days
3742 prior to the date of the meeting. The disclosure statement shall include,
3743 at a minimum, a description of (A) the reasons for the proposed
3744 conversion; (B) the differences between membership rights in the
3745 converting credit union and depositor rights in the proposed mutual
3746 savings bank, mutual savings and loan association or mutual
3747 community bank; and (C) the significant differences between the
3748 authorized powers of the converting credit union and those of the
3749 proposed mutual savings bank, mutual savings and loan association or
3750 mutual community bank. The notice, disclosure statement and mail
3751 ballot shall comply with the requirements of Appendix A to 12 CFR
3752 Part 708a, as from time to time amended, and shall be submitted to the
3753 commissioner for approval prior to distribution to members. Each
3754 member of the converting Connecticut credit union may cast one vote
3755 on the proposal. The affirmative vote of two-thirds of all the members
3756 voting, including those votes cast in person and those ballots properly
3757 completed and received by the converting Connecticut credit union
3758 prior to the time of the meeting, shall be required for approval of the
3759 conversion.

3760 (b) The Commissioner of Banking shall not approve the conversion
3761 unless the commissioner makes the considerations, determinations and
3762 findings required by subsections (c), (d) and (e) of this section.

3763 (c) The Commissioner of Banking shall not approve the conversion
3764 unless the commissioner considers the following factors: (1) The
3765 population of the area to be served by the proposed mutual
3766 Connecticut bank; (2) the adequacy of existing banking facilities in the
3767 area to be served by the proposed mutual Connecticut bank; and (3)

3768 the character and experience of the proposed directors and officers.

3769 (d) The Commissioner of Banking shall not approve the conversion
3770 unless the commissioner determines that: (1) The converting credit
3771 union has complied with all applicable provisions of law; (2) the
3772 converting credit union has equity capital at least equal to the
3773 minimum equity capital required for the organization of the type of
3774 mutual Connecticut bank to which it is converting; (3) the proposed
3775 conversion will serve the public necessity and convenience; (4)
3776 conditions in the locality in which the proposed mutual Connecticut
3777 bank will transact business afford reasonable promise of successful
3778 operation; and (5) the proposed directors and executive officers
3779 possess capacity and fitness for the duties and responsibilities with
3780 which they will be charged. If the commissioner cannot make such
3781 determination with respect to any such proposed director or proposed
3782 executive officer, the commissioner may refuse to allow such proposed
3783 director or proposed executive officer to serve in such capacity in the
3784 proposed mutual Connecticut bank. As used in this subsection,
3785 "executive officer" means every officer of the proposed mutual
3786 Connecticut bank who participates or has authority to participate,
3787 other than in the capacity of a director, in major policy-making
3788 functions of the proposed mutual Connecticut bank, regardless of
3789 whether such officer has an official title or whether such officer's title
3790 contains a designation of assistant or whether such officer serves
3791 without salary or other compensation. The vice president, the chief
3792 financial officer, secretary and treasurer of the proposed mutual
3793 Connecticut bank are presumed to be executive officers, unless, by
3794 resolution of the governing board or by the proposed mutual
3795 Connecticut bank's bylaws, any such officer is excluded from
3796 participation in major policy-making functions, other than in the
3797 capacity of a director of the proposed mutual Connecticut bank, and
3798 such officer does not actually participate in major policy-making
3799 functions.

3800 (e) The Commissioner of Banking shall not approve the conversion
3801 unless the commissioner finds that the proposed mutual Connecticut

3802 bank will provide adequate services to meet the banking needs of all
3803 community residents, including low-income residents and moderate-
3804 income residents in accordance with a plan submitted by the
3805 converting credit union to the commissioner, in such form and
3806 containing such information as the commissioner may require. Upon
3807 receiving any such plan, the commissioner shall make the plan
3808 available for public inspection and comment at the Department of
3809 Banking and cause notice of its submission and availability for
3810 inspection and comment to be published in the department's weekly
3811 bulletin. With the concurrence of the commissioner, the converting
3812 credit union shall publish, in the form of a legal advertisement in a
3813 newspaper having a substantial circulation in the area, notice of such
3814 plan's submission and availability for public inspection and comment.
3815 The notice shall state that the inspection and comment period will last
3816 for a period of thirty days from the date of publication. The
3817 commissioner shall not make such finding until the expiration of such
3818 thirty-day period. In making such finding, the commissioner shall
3819 consider, among other factors, whether the plan identifies specific
3820 unmet credit and consumer banking needs in the local community and
3821 specifies how such needs will be satisfied, provides for sufficient
3822 distribution of banking services among branches or satellite devices, or
3823 both, located in low-income neighborhoods, contains adequate
3824 assurances that banking services will be offered on a
3825 nondiscriminatory basis and demonstrates a commitment to extend
3826 credit for housing, small business and consumer purposes in low-
3827 income neighborhoods.

3828 (f) If the conversion is approved by the Commissioner of Banking
3829 and the commissioner receives notification from the converting credit
3830 union that all approvals required under federal law, including
3831 approvals needed for deposit insurance by the Federal Deposit
3832 Insurance Corporation or its successor agency have been obtained and
3833 that any waiting period prescribed by federal law has expired, a
3834 certificate of authority to commence business shall be issued by the
3835 commissioner. After receipt of the certificate of authority, the

3836 converting credit union shall promptly file such certificate of authority
3837 and its certificate of incorporation with the Secretary of the State and
3838 with the town clerk of the town in which its principal office is located.
3839 Upon such filing, the license of the converting credit union shall
3840 automatically lapse and the converting credit union shall cease to be a
3841 credit union and shall become a mutual savings bank, mutual savings
3842 and loan association or mutual community bank, as the case may be.
3843 Upon such conversion, the converted mutual Connecticut bank shall
3844 possess all of the rights, privileges and powers granted to it by its
3845 certificate of incorporation and by the provisions of the general
3846 statutes applicable to the type of institution into which it converted,
3847 and all of the assets and business of the converting credit union shall
3848 be transferred to and vested in it without any deed or instrument of
3849 conveyance, provided the converting credit union may execute any
3850 deed or instrument of conveyance as is convenient to confirm such
3851 transfer. The converted mutual Connecticut bank shall be subject to all
3852 of the duties, relations, obligations and liabilities of the converting
3853 credit union, whether as debtor, depository or otherwise, and shall be
3854 liable to pay and discharge all such debts and liabilities, to perform all
3855 such duties in the same manner and to the same extent as if the
3856 converted mutual Connecticut bank had itself incurred the obligation
3857 or liability or assumed the duty or relation. All rights of creditors of
3858 the converting credit union and all liens upon the property of such
3859 credit union shall be preserved unimpaired and the converted mutual
3860 Connecticut bank shall be entitled to receive, accept, collect, hold and
3861 enjoy any and all gifts, bequests, devises, conveyances and
3862 appointments in favor of or in the name of the converting credit union
3863 and whether made or created to take effect prior to or after the
3864 conversion.

3865 (g) Within ninety days after the conversion, the converted mutual
3866 Connecticut bank shall record a certificate, signed by the secretary and
3867 stating that the conversion is effective, in the office of the town clerk in
3868 each town in this state where the converted mutual Connecticut bank
3869 owns real property.

3870 (h) The converted mutual Connecticut bank may not exercise any of
3871 the fiduciary powers granted to Connecticut banks by law until
3872 express authority therefor has been given by the commissioner.

3873 Sec. 71. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit
3874 union may terminate its corporate existence and be dissolved in
3875 accordance with a plan of dissolution as provided in this section.

3876 (b) Within three days after a majority of the governing board has
3877 adopted a plan of dissolution of the Connecticut credit union, the
3878 governing board shall file with the Commissioner of Banking a copy of
3879 such plan of dissolution, attested by the chairman or vice chairman
3880 and the secretary or treasurer, and inform the Commissioner of
3881 Banking of the date on which the plan will be voted on by the
3882 members of the Connecticut credit union. The plan of dissolution shall
3883 be approved at an annual or special meeting of the members. Written
3884 notice of the date, time and place of the meeting at which the plan of
3885 dissolution is to be considered shall be hand-delivered or mailed to
3886 each member at such member's last-known address as shown on the
3887 records of the Connecticut credit union, not more than thirty nor less
3888 than seven days prior to the date of the vote. The written notice shall
3889 clearly describe the plan and the reasons for the plan and shall notify
3890 the member of such member's right to vote on the plan in person, by
3891 proxy or by mail ballot, and shall have an official form of proxy or mail
3892 ballot attached. The affirmative vote of two-thirds of those members
3893 voting shall be required to approve the proposal. Upon receipt of the
3894 filing, the Commissioner of Banking may by order appoint the
3895 National Credit Union Administration or its successor agency to act as
3896 liquidating agent.

3897 (c) Within three days after the members of such Connecticut credit
3898 union have voted on the plan of dissolution, the Connecticut credit
3899 union shall file with the Commissioner of Banking a statement of the
3900 results of the vote, certified by the secretary of the credit union. The
3901 statement shall state the number of members who voted on the plan
3902 and the number of members who voted in favor of adopting such plan.

3903 (d) On receipt of the statement, the Commissioner of Banking shall:

3904 (1) Take possession of the property and business of the Connecticut
3905 credit union; or

3906 (2) Notify the liquidating agent, if one is appointed as provided in
3907 subsection (b) of this section, to take possession of the property and
3908 business of the Connecticut credit union; or

3909 (3) Apply to the superior court for the judicial district of Hartford
3910 for the appointment of a receiver for the Connecticut credit union. The
3911 court may appoint the receiver after reasonable notice to the
3912 Connecticut credit union.

3913 (e) The Commissioner of Banking may seek the appointment of a
3914 conservator or receiver for any Connecticut credit union, in accordance
3915 with section 36a-220 of the general statutes, as amended by this act, if
3916 the Commissioner of Banking certifies, in writing, that no other
3917 reasonable alternatives are available to protect the members and
3918 creditors of such Connecticut credit union and, it appears that:

3919 (1) The Connecticut credit union, through insolvency, repeated
3920 gross mismanagement or repeated neglect in the conduct of its
3921 operations, is no longer able to carry out the purposes for which it was
3922 formed;

3923 (2) The Connecticut credit union has abandoned its activities and is
3924 no longer functioning as a Connecticut credit union and termination
3925 cannot be accomplished by any other means; or

3926 (3) Any reason specified in subsection (a) of section 36a-220 of the
3927 general statutes, as amended by this act, exists.

3928 Sec. 72. (NEW) (*Effective October 1, 2002*) The Commissioner of
3929 Banking may adopt such regulations in accordance with the provisions
3930 of chapter 54 of the general statutes and make such findings, consistent
3931 with sections 34 to 73, inclusive, of this act, as may be necessary for the
3932 conduct of Connecticut credit unions and the enforcement of the

3933 provisions of said sections. The commissioner may adopt regulations
3934 in accordance with the provisions of chapter 54 of the general statutes
3935 to establish rates to be paid as dividends on shares having an agreed
3936 maturity subject to the conditions in section 56 of this act.

3937 Sec. 73. (NEW) (*Effective October 1, 2002*) Nothing in sections 34 to
3938 73, inclusive, of this act, shall be construed to exempt Connecticut
3939 credit unions organized under said sections 34 to 73, inclusive, from
3940 taxation under the provisions of chapter 208 of the general statutes.

3941 Sec. 74. Subsection (b) of section 36a-24a of the general statutes is
3942 repealed and the following is substituted in lieu thereof (*Effective*
3943 *October 1, 2002*):

3944 (b) From May 12, 1999, to July 1, 2000, if the Commissioner of
3945 Banking finds that it is not reasonably possible for a depository
3946 institution to avoid, or to effectively protect itself against, a failure of
3947 one or more of the critical functions of an information system because
3948 (1) the depository institution has failed to develop adequate testing
3949 plans to resolve any date change problems related to the years 1999
3950 and 2000, (2) the depository institution has failed to develop adequate
3951 contingency plans to ensure the ability of such depository institution to
3952 conduct business in the event of a failure of one or more of such critical
3953 functions, or (3) the implementation of adequate testing plans with
3954 respect to such information system has resulted in a failure of one or
3955 more of such critical functions and the depository institution has failed
3956 to develop adequate contingency plans to address such failure, the
3957 commissioner may seek any applicable remedy provided under
3958 sections 36a-50, as amended, 36a-52, as amended, 36a-53 as amended
3959 by this act, and 36a-220, as amended by this act, and subsection (e) of
3960 section [36a-464] 71 of this act, provided the limitations set forth in
3961 subdivisions (2) and (3) of subsection (c) of section 36a-53, as amended
3962 by this act, do not apply to any action taken by the commissioner
3963 pursuant to this section. Any finding made by the commissioner
3964 pursuant to this section shall be considered a violation of this section
3965 for the purposes of sections 36a-50, as amended, 36a-52, as amended,

3966 and 36a-53, as amended by this act.

3967 Sec. 75. Subparagraph (J) of subdivision (1) of subsection (d) of
3968 section 36a-65 of the general statutes, as amended by section 1 of
3969 public act 01-183, is repealed and the following is substituted in lieu
3970 thereof (*Effective October 1, 2002*):

3971 (J) Conversions under (i) sections 36a-135 to 36a-138, inclusive, five
3972 thousand dollars; (ii) sections [36a-469a] 70 of this act, 36a-252, as
3973 amended, and 36a-252a, as amended, two thousand five hundred
3974 dollars; and (iii) section 10 of [this act] public act 01-183, fifteen
3975 thousand dollars.

3976 Sec. 76. Subdivision (18) of section 36a-316 of the general statutes, as
3977 amended by section 3 of public act 01-6, is repealed and the following
3978 is substituted in lieu thereof (*Effective October 1, 2002*):

3979 (18) "Time account" means (A) a deposit account with a maturity of
3980 at least seven days in which the depositor generally does not have a
3981 right to make withdrawals for six days after the account is opened,
3982 unless the deposit is subject to an early withdrawal penalty of at least
3983 seven days' interest on amounts withdrawn, and (B) a Connecticut
3984 credit union member's payment on shares which such member agrees
3985 in writing not to withdraw within the time period stated therein as
3986 described in subsection [(f)] (b) of section [36a-446] 54 of this act.

3987 Sec. 77. Subsection (a) of section 36a-265 of the general statutes is
3988 repealed and the following is substituted in lieu thereof (*Effective*
3989 *October 1, 2002*):

3990 (a) (1) "Mortgage loan" means a loan secured by a first mortgage on
3991 one, two, three or four family, owner-occupied residential real
3992 property;

3993 (2) "Standard mortgage loan" means a mortgage loan authorized by
3994 section 36a-261 or section [36a-442] 58 of this act for the Connecticut
3995 bank or Connecticut credit union making such loan;

3996 (3) "Alternative mortgage loan" means a mortgage loan which is a
3997 reverse annuity mortgage loan or graduated payment mortgage loan,
3998 other than a standard mortgage loan;

3999 (4) "Reverse annuity mortgage loan" means a mortgage loan in
4000 which loan proceeds are advanced to the mortgagors, in installments,
4001 either directly or indirectly, and which together with unpaid interest, if
4002 any, is to be repaid in accordance with subdivision (2) of subsection (e)
4003 of this section; and

4004 (5) "Graduated payment mortgage loan" means a mortgage loan,
4005 other than a standard mortgage loan, in which principal and interest
4006 payments, if any, and the making of additional advances, if any, are
4007 designed to reflect the prospective increasing or decreasing income of
4008 the mortgagor.

4009 Sec. 78. Subsection (a) of section 51-344a of the general statutes is
4010 repealed and the following is substituted in lieu thereof (*Effective*
4011 *October 1, 2002*):

4012 (a) Whenever the term "judicial district of Hartford-New Britain" or
4013 "judicial district of Hartford-New Britain at Hartford" is used or
4014 referred to in the following sections of the general statutes, it shall be
4015 deemed to mean or refer to the judicial district of Hartford on and after
4016 September 1, 1998: Sections 1-205, 1-206, 2-48, 3-21a, 3-62d, 3-70a, 3-
4017 71a, 4-61, 4-160, 4-164, 4-177b, 4-180, 4-183, 4-197, 5-202, 5-276a, as
4018 amended, 8-30g, 9-7a, 9-7b, as amended, 9-369b, as amended, 10-153e,
4019 12-208, 12-237, 12-268l, 12-312, 12-330m, 12-405k, 12-422, 12-448, 12-454,
4020 12-456, 12-463, 12-489, 12-522, 12-554, 12-565, 12-572, 12-586f, 12-597,
4021 12-730, 13b-34, 13b-235, 13b-315, 13b-375, 14-57, 14-66, 14-67u, 14-110,
4022 14-195, 14-311, 14-311c, 14-324, 14-331, 15-125, 15-126, 16-41, 16a-5, 17b-
4023 60, 17b-64, 17b-100, 17b-238, 17b-531, 19a-85, 19a-86, 19a-123d, 19a-425,
4024 19a-498, as amended, 19a-517, 19a-526, 19a-633, 20-12f, 20-13e, 20-29,
4025 20-40, 20-45, 20-59, 20-73a, 20-86f, 20-99, 20-114, 20-133, 20-154, 20-156,
4026 20-162p, 20-192, 20-195p, 20-202, 20-206c, 20-227, 20-238, 20-247, 20-263,
4027 as amended, 20-271, as amended, 20-307, 20-341f, 20-363, 20-373, 20-

4028 404, 20-414, 21a-55, 21a-190i, 21a-196, 22-7, 22-37, 22-64, 22-195, 22-228,
4029 22-248, 22-254, 22-320d, 22-326a, 22-344b, 22-386, 22a-6b, 22a-7, 22a-16,
4030 22a-30, 22a-34, 22a-53, 22a-60, 22a-62, 22a-63, as amended, 22a-66h,
4031 22a-106a, 22a-119, 22a-163m, 22a-167, 22a-180, 22a-182a, 22a-184, 22a-
4032 220a, 22a-220d, 22a-225, 22a-226, 22a-226c, 22a-227, 22a-250, 22a-255l,
4033 22a-276, 22a-285a, 22a-285g, 22a-285j, 22a-310, 22a-342a, 22a-344, 22a-
4034 361a, 22a-374, 22a-376, 22a-408, 22a-430, 22a-432, 22a-438, 22a-449f, 22a-
4035 449g, 22a-459, 23-5e, 23-65m, 25-32e, as amended, 25-36, as amended,
4036 28-5, 29-158, 29-161b, 29-317, 29-323, 29-329, 29-334, 29-340, 29-369, 30-
4037 8, 31-109, 31-249b, 31-266, 31-266a, 31-270, 31-273, 31-284, 31-285, 31-
4038 339, 31-355a, 31-379, 35-3c, 35-42, 36a-186, 36a-187, [36a-462, 36a-467]
4039 72 of this act, 36a-494, 36a-517, 36a-587, 36a-647, 36a-684, 36a-718, as
4040 amended, 36a-807, 36b-26, 36b-27, 36b-30, 36b-50, 36b-71, 36b-72, as
4041 amended, 36b-74, 36b-76, 38a-41, 38a-52, 38a-134, 38a-139, 38a-140, 38a-
4042 147, 38a-150, 38a-185, 38a-209, 38a-225, 38a-226b, 38a-241, 38a-337, 38a-
4043 470, 38a-620, 38a-657, 38a-687, as amended, 38a-774, 38a-776, 38a-817,
4044 38a-843, 38a-868, 38a-906, 38a-994, 42-103c, 42-110d, 42-110k, 42-110p,
4045 42-182, 46a-5, 46a-56, 46a-100, 47a-21, 49-73, 51-44a, as amended, 51-
4046 81b, 51-194, 52-146j, 53-392d and 54-211a.

4047 Sec. 79. Subdivision (2) of section 2 of public act 01-9 is repealed and
4048 the following is substituted in lieu thereof (*Effective October 1, 2002*):

4049 (2) "Community credit union" means a Connecticut credit union that
4050 has ten million dollars or more in total assets and the membership of
4051 which is limited to persons within a well-defined [local] community,
4052 neighborhood or rural district as provided in subsection (a) of section
4053 [36a-438] 39 of this act.

4054 Sec. 80. Subsection (a) of section 3 of public act 01-9 is repealed and
4055 the following is substituted in lieu thereof (*Effective October 1, 2002*):

4056 (a) Each community credit union shall satisfy its continuing and
4057 affirmative obligation to help meet the credit needs of its [local]
4058 community, including low-income and moderate-income
4059 neighborhoods, consistent with the safe and sound operation of such

4060 community credit union.

4061 Sec. 81. Section 6 of public act 01-9 is repealed and the following is
4062 substituted in lieu thereof (*Effective October 1, 2002*):

4063 The Commissioner of Banking may consider the community
4064 reinvestment performance of a community credit union in connection
4065 with (1) an approval of an amendment to the certificate of
4066 [organization] incorporation pursuant to subsection (g) of section [36a-
4067 437 in connection with the establishment or change of location of an
4068 office or change in the field of membership] 38 of this act; (2) an
4069 approval of an expansion of its field of membership pursuant to
4070 subsection [(d)] (c) of section [36a-438] 39 of this act; and (3) an
4071 approval of a merger pursuant to section [36a-470] 67 of this act. The
4072 commissioner may withhold approval of or condition an issuance of
4073 approval of such amendment, expansion or merger pursuant to this
4074 section.

4075 Sec. 82. Subsection (a) of section 36a-136 of the general statutes is
4076 repealed and the following is substituted in lieu thereof (*Effective*
4077 *October 1, 2002*):

4078 (a) As used in this section: (1) "Eligible account holder" means any
4079 person holding a qualifying deposit; (2) "deposit account" means a
4080 deposit account, as defined in subdivision [(19)] (21) of section 36a-2,
4081 as amended by this act, but does not include an escrow account
4082 established pursuant to section 49-2a; (3) "qualifying deposit" means a
4083 deposit in a deposit account held on the eligibility record date. The
4084 amount of the qualifying deposit of an eligible account holder shall be
4085 the total of the deposit balances in the eligible account holder's deposit
4086 accounts in the converting institution as of the close of business on the
4087 eligibility record date.

4088 Sec. 83. Subdivision (17) of section 36a-316 of the general statutes is
4089 repealed and the following is substituted in lieu thereof (*Effective*
4090 *October 1, 2002*):

4091 (17) "Savings deposit" means a savings deposit, as defined in
4092 subdivision [(55)] (57) of section 36a-2, as amended by this act, and the
4093 payment on shares at a Connecticut credit union or federal credit
4094 union, and a "savings account" is a deposit account which contains
4095 savings deposits.

4096 Sec. 84. Subdivision (10) of section 36a-596 of the general statutes, as
4097 amended by section 3 of public act 01-56, is repealed and the following
4098 is substituted in lieu thereof (*Effective October 1, 2002*):

4099 (10) "Permissible investment" means: (A) Cash in United States
4100 currency; (B) time deposits, as defined in subdivision [(63)] (65) of
4101 section 36a-2, as amended by this act, or other debt instruments of a
4102 bank; (C) bills of exchange or bankers acceptances which are eligible
4103 for purchase by member banks of the Federal Reserve System; (D)
4104 commercial paper of prime quality; (E) interest-bearing bills, notes,
4105 bonds, debentures or other obligations issued or guaranteed by: (i) The
4106 United States or any of its agencies or instrumentalities, or (ii) any
4107 state, or any agency, instrumentality, political subdivision, school
4108 district or legally constituted authority of any state if such investment
4109 is of prime quality; (F) interest-bearing bills or notes, or bonds,
4110 debentures or preferred stocks, traded on any national securities
4111 exchange or on a national over-the-counter market, if such debt or
4112 equity investments are of prime quality; (G) receivables due from
4113 selling agents consisting of the proceeds of the sale of payment
4114 instruments which are not past due or doubtful of collection; (H) gold;
4115 and (I) any other investments approved by the commissioner.
4116 Notwithstanding the provisions of this subdivision, if the
4117 commissioner at any time finds that an investment of a licensee is
4118 unsatisfactory for investment purposes, the investment shall not
4119 qualify as a permissible investment.

4120 Sec. 85. Subsection (g) of section 19a-343a of the general statutes is
4121 repealed and the following is substituted in lieu thereof (*Effective*
4122 *October 1, 2002*):

4123 (g) If the defendant is a financial institution and the record owner of
 4124 the real property, or if the defendant is a financial institution claiming
 4125 an interest of record pursuant to a bona fide mortgage, assignment of
 4126 lease or rent, lien or security in the real property and is not determined
 4127 to be a principal or an accomplice in the conduct constituting the
 4128 public nuisance, the court shall not enter any order against such
 4129 defendant. The state shall have the burden of proving by clear and
 4130 convincing evidence that any such defendant claiming an interest of
 4131 record under this subsection is a principal or an accomplice in the
 4132 alleged conduct constituting the public nuisance. For the purposes of
 4133 this subsection, "financial institution" means a bank, as defined in
 4134 subdivision (4) of section 36a-2, as amended by this act, an out-of-state
 4135 bank, as defined in subdivision [(41)] (43) of section 36a-2, as amended
 4136 by this act, institutional lender or any subsidiary or affiliate of such
 4137 bank, out-of-state bank or institutional lender who directly or
 4138 indirectly acquires the real property pursuant to strict foreclosure,
 4139 foreclosure by sale or deed-in-lieu of foreclosure, and with the intent of
 4140 ultimately transferring the property, or other lender licensed by the
 4141 Department of Banking.

4142 Sec. 86. (Effective October 1, 2002) Sections 36a-435 to 36a-475,
 4143 inclusive, of the general statutes are repealed.

This act shall take effect as follows:	
Section 1	October 1, 2002
Sec. 2	October 1, 2002
Sec. 3	October 1, 2002
Sec. 4	October 1, 2002
Sec. 5	October 1, 2002
Sec. 6	October 1, 2002
Sec. 7	October 1, 2002
Sec. 8	October 1, 2002
Sec. 9	October 1, 2002
Sec. 10	October 1, 2002
Sec. 11	October 1, 2002
Sec. 12	October 1, 2002

Sec. 13	<i>October 1, 2002</i>
Sec. 14	<i>October 1, 2002</i>
Sec. 15	<i>October 1, 2002</i>
Sec. 16	<i>October 1, 2002</i>
Sec. 17	<i>October 1, 2002</i>
Sec. 18	<i>October 1, 2002</i>
Sec. 19	<i>October 1, 2002</i>
Sec. 20	<i>October 1, 2002</i>
Sec. 21	<i>October 1, 2002</i>
Sec. 22	<i>October 1, 2002</i>
Sec. 23	<i>October 1, 2002</i>
Sec. 24	<i>October 1, 2002</i>
Sec. 25	<i>October 1, 2002</i>
Sec. 26	<i>October 1, 2002</i>
Sec. 27	<i>October 1, 2002</i>
Sec. 28	<i>October 1, 2002</i>
Sec. 29	<i>October 1, 2002</i>
Sec. 30	<i>October 1, 2002</i>
Sec. 31	<i>October 1, 2002</i>
Sec. 32	<i>October 1, 2002</i>
Sec. 33	<i>October 1, 2002</i>
Sec. 34	<i>October 1, 2002</i>
Sec. 35	<i>October 1, 2002</i>
Sec. 36	<i>October 1, 2002</i>
Sec. 37	<i>October 1, 2002</i>
Sec. 38	<i>October 1, 2002</i>
Sec. 39	<i>October 1, 2002</i>
Sec. 40	<i>October 1, 2002</i>
Sec. 41	<i>October 1, 2002</i>
Sec. 42	<i>October 1, 2002</i>
Sec. 43	<i>October 1, 2002</i>
Sec. 44	<i>October 1, 2002</i>
Sec. 45	<i>October 1, 2002</i>
Sec. 46	<i>October 1, 2002</i>
Sec. 47	<i>October 1, 2002</i>
Sec. 48	<i>October 1, 2002</i>
Sec. 49	<i>October 1, 2002</i>
Sec. 50	<i>October 1, 2002</i>
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The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill clarifies private credit unions' authority to provide services and organizational requirements and has no fiscal impact for the Department of Banking.

House "A " is technical in nature and has no fiscal nature.

House " B " is technical in nature and has no fiscal nature.

OLR Amended Bill Analysis

sHB 5316 (as amended by House "A" and "B")*

AN ACT CONCERNING CREDIT UNION MODERNIZATION**SUMMARY:**

This bill significantly reorganizes credit union law under the Connecticut Credit Union Act by:

- (a) modifying the process for organizing and establishing a Connecticut credit union;
- (b) allowing credit unions to make member business loans;
- (c) authorizing credit unions to invest their surplus funds in additional securities, funds, obligations, and real estate;
- (d) increasing the authority of credit unions' governing boards and executive, supervisory, and credit committees;
- (e) expanding the role credit union service organizations play in assisting credit unions and their members;
- (f) requiring credit unions to have policies addressing conflicts of interest and insider transactions;
- (g) creating basic service and corporate credit unions;
- (h) updating credit union merger and conversion policies;
- (i) requiring "allowance for loan and lease losses" accounts; and
- (j) allowing members to vote on their credit union's proposed dissolution.

The bill also applies banking law principles of receivership and insolvency to credit unions. It allows the banking commissioner to apply for an injunction, receiver, or conservator for a credit union under certain circumstances. It allows a share account holder to pledge his credit union interest to another person, and applies to credit unions current banking law provisions regarding adverse claims.

*House Amendment "A" eliminates a \$13 fee in the original bill for the secretary of the state to certify a copy of (1) a certificate of incorporation, (2) a certificate of amendment to the certificate of incorporation, (3) an officer's certificate of conversion and the

commissioner's approval of a Connecticut credit union's conversion to a federal credit union, or (4) a certificate of incorporation or authority for a federal or out-of-state credit union to convert to a Connecticut credit union. Instead, it imposes a \$20 fee for each copy of each document the secretary of the state prepares and furnishes, and \$5 for affixing the official seal. The amendment also eliminates a provision from the original bill specifying that credit union mergers become effective on the first business day after they are filed with the secretary of the state.

The amendment requires converting Connecticut credit unions to file the banking commissioner's approval with the secretary of the state within 90 days after receiving a federal credit union charter (it is unclear what form this approval should take). It requires disclosure statements to describe to a converting credit union's members the reasons for, and effects of, converting from a credit union to a mutual financial institution. The amendment also makes minor and technical changes.

*House Amendment "B" restores language in the current law allowing the commissioner to apply for an injunction against a bank in the Hartford judicial district or in the judicial district where the bank's main office is located. It extends this provision to apply to injunctions against credit unions, as well. The original bill restricted the commissioner's applications for injunctions to the superior court for the Hartford judicial district.

EFFECTIVE DATE: October 1, 2002

DEFINITIONS (§ 1)

Connecticut Credit Union

The bill amends the definition of a "Connecticut credit union" by expanding its field of membership to include (1) a credit union's organizers and employees; (2) a credit union's advisory directors; (3) a deceased member's surviving spouse; and (4) members for life, regardless of any change in the circumstances under which they originally qualified. It redefines the purpose of a Connecticut credit union as operating for the benefit and general welfare of its members by distributing to, or keeping for, them the earnings, benefits, or services offered. The bill removes the purposes of (1) encouraging

thrift among its members, (2) creating a source of credit with reasonable interest rates, and (3) allowing members to use and control their own money. It specifies that a volunteer board of directors elected by and from the credit union's membership must govern a credit union.

The bill expands the definition of Connecticut credit union officers to include the governing board's chairman, vice-chairman, secretary, and treasurer, and its directors to include members of the governing board, directors emeritus, and advisory directors.

Time Deposit

The bill adds "share accounts" (essentially savings accounts held by members of credit unions) to the definition of a "time deposit."

FRANCHISE AND FILING FEES (§ 36)

Current law requires a Connecticut credit union to pay the secretary of the state \$13 for: (1) incorporation; (2) filing a certificate of amendment to a certificate of organization; (3) a certificate of merger; or (4) a copy of a certificate of organization, amendment, or merger. The bill additionally imposes a \$13 fee for (1) filing a certificate of authority and certificate of incorporation for a Connecticut or federal credit union's conversion to a mutual savings bank, mutual savings and loan association, or mutual community bank; or (2) the secretary of the state to certify a merger agreement, plan of merger, certificate of amendment to the certificate of incorporation, and the commissioner's approval of the merger. It also imposes a \$20 fee for each copy of each document the secretary of the state prepares and furnishes, and \$5 for affixing the official seal.

CERTIFICATES OF AUTHORITY TO OPERATE CONNECTICUT CREDIT UNIONS (§ 37, 38)

Applying to Organize

The bill expands current laws allowing seven or more people to apply with the commissioner to organize a Connecticut credit union. Current law requires the application to include: (1) the credit union's name, including the words "credit union" and "Inc." or "mutual benefit association; (2) a statement that the Connecticut credit union

plans to engage in lawful credit union behavior, and that its existence is perpetual; (3) the locations of its Connecticut offices; (4) a detailed description of its field of membership; (5) any other lawful provisions about the credit union's regulation, management, or powers the governing board believes to be appropriate; (6) the par value of its shares; and (7) three copies of its certificate of organization and two copies of its bylaws.

The bill, instead, requires the organizers' written application to include:

1. a proposed certificate of incorporation on the commissioner's form, which the organizers have signed and acknowledged before an officer competent to administer oaths, stating:
 - a. the Connecticut credit union's name;
 - b. the town where the main office will be located;
 - c. each organizer, proposed director, and proposed member of senior management's name, occupation, residence, and post office or business address, including those not named in the proposed certificate;
 - d. that the Connecticut credit union intends to engage in activities authorized for its type of institution;
- (k) the proposed bylaws, describing how the credit union intends to conduct its business, signed and acknowledged by the organizers before an officer competent to administer oaths;
- (l) a business plan, including a three-year financial forecast;
- (m) a potential member survey;
- (n) for a proposed community credit union, evidence to support a finding that the geographic community exists; and
- (o) any other information the commissioner requires.

The bill requires each of the organizers and directors, when applying to organize and whenever the commissioner requires, to provide him with their fingerprints for use in criminal history background checks. But the bill does not require him to conduct these checks. It requires the commissioner to investigate the same facts in filed applications as under current law, as well as to determine if the proposed credit union has a reasonable likelihood of success. It also requires him to consider the effect of overlapping fields of membership on the proposed and existing credit unions and allows him to require the proposed credit union to limit or eliminate overlaps to promote credit union stability. The bill eliminates the provision of current law giving a properly

certified Connecticut credit union “perpetual existence.”

One provision of the bill requires the commissioner to issue a certificate of authority to any applicant who meets the requirements listed above (§ 37(c)), while another states an additional requirement that the credit union obtain share and deposit insurance from the National Credit Union Association (NCUA) (§ 38(d)(3)). It eliminates the current schedule requiring the commissioner to notify the organizers within 30 days of the application filing with his decision granting or denying their certificate. The bill prohibits the commissioner from issuing a certificate of authority if he thinks the proposed credit union’s name will tend to confuse the public. It allows him to revoke a certificate for any violation of the banking laws.

If the commissioner approves a certificate, the bill requires the credit union to file one original of the certificate of incorporation and one original of the certificate of authority with the secretary of the state. Upon filing, the bill considers the credit union to be a corporation.

Organizing a New Credit Union

Within a reasonable time after the commissioner issues the certificate of authority, the bill requires the credit union’s organizers to hold an organizational meeting to elect directors, who (1) elect officers, (2) appoint committee members, (3) adopt the bylaws, and (4) conduct any other necessary business to complete the credit union’s organization. Under current law, the organizers must carry out these duties. The bill requires the credit union to finish its organization and start conducting business within six months of the date the commissioner issues its certificate of authority, or its certificate becomes void. But it permits the organizers to apply for an extension and allows the commissioner to grant the request for good cause. The bill prohibits the credit union from starting to conduct business until (1) the NCUA insures its deposits and shares and (2) a surety company bonds it.

Amending a Certificate of Incorporation

Current law specifies procedures for a credit union to amend its certificate of incorporation. The bill changes the commissioner’s approval process to require him, if he finds the amended certificate of incorporation complies with the Connecticut Credit Union Act, to

endorse it and return the original certificate of amendment to the credit union, which must file it with the secretary of the state. Under current law, the commissioner files the amended certificate. The bill also specifies that the amendment is effective upon this filing.

Bylaws

The bill significantly changes the required contents of a Connecticut credit union's bylaws. It requires them to specify at least: (1) the credit union's name; (2) its field of membership and membership qualifications; (3) its shares' par value; (4) the number and terms of directors and election procedures; (5) the duties of members of senior management; (6) the credit function responsibilities of a credit committee, credit manager, loan officer, or combination thereof; (7) how to conduct annual meetings and voting; (8) conditions for paying, receiving, or withdrawing shares and deposits; and (9) other matters the governing board finds necessary.

Current law requires the bylaws to contain: (1) the purpose for, and manner in which, special meetings of members will be held; (2) the officers' titles and duties; (3) how officers and directors will be removed and how to fill their vacancies; (4) the term lengths for the supervisory committee, credit committee, directors, and officers; (5) other management and regulatory provisions the incorporators or governing board deem necessary; and (6) any additional provisions the commissioner requires.

Currently, a credit union can amend its bylaws at any time, but the commissioner must approve all bylaw changes. The bill prohibits a credit union from amending its bylaws without the commissioner's written approval for the three years after its certification. After that, it allows the credit union to amend its bylaws, but it requires the commissioner's written approval for any change to the credit union's name or field of membership. It specifies that any bylaw amendment becomes effective when adopted, except that those requiring the commissioner's approval are effective upon his approval. The bill allows a credit union with a multiple common bond membership to add a group of fewer than 500 potential members to its field of membership without the commissioner's approval.

Basic Service Credit Unions and Conversion to a Full Service Credit Union

The bill creates a new level of credit union services, called basic service. It allows any credit union except a community credit union to be organized just to provide basic services. It defines “basic services” as (1) issuing regular shares, (2) making signature and participation loans up to an amount the commissioner determines, (3) selling money orders and travelers checks, and (4) issuing and redeeming savings bonds.

In order to accelerate a basic service credit union’s certification process, the bill requires the commissioner to provide to the organizers, free of charge: (1) a model business plan for basic services; (2) policy guidelines about shares, lending, investments, and other credit union business activities; and (3) sample letters for sponsor support, grants, and nonmember deposits, as applicable. If the commissioner finds the organizers in compliance with all credit union organization requirements, including NCUA insurance, the bill requires him to issue the credit union a certificate of authority to offer only basic credit union services.

The bill allows a basic service credit union, with the commissioner’s approval, to convert to a full service credit union. To do so, it must file with the commissioner a proposed conversion plan, including (1) a new business plan, (2) an original certificate of amendment to its certificate of incorporation, and (3) a certificate from its secretary that a majority of the governing board approved the conversion plan and amended certificate.

The bill requires the commissioner to approve the conversion if he finds that (1) the converting credit union complied with all applicable laws, (2) its net worth meets his requirements, (3) it received satisfactory ratings on its most recent safety and soundness examination, and (4) the proposed conversion will better serve the credit union’s members’ needs. Once the commissioner approves the conversion, the bill requires the credit union promptly to file the approval and its amended certificate of incorporation with the secretary of the state, at which point it becomes a full service Connecticut credit union, with all of the corresponding rights, duties, privileges, and liabilities.

FIELDS OF MEMBERSHIP (§ 39)

Current law limits Connecticut credit unions' fields of membership to (1) single common bonds, (2) multiple common bonds and (3) people in a well-defined community, neighborhood, or rural area. It defines a "multiple common bond membership" as a membership field consisting of more than one group of people, with each group member having a common bond of occupation or association, while a "single common bond membership" consists of only one such group. Current law calls a Connecticut credit union with at least \$10 million in assets and a membership limited to people in a well-defined community, neighborhood, or rural area a "community credit union." The bill expands these fields of membership to include a Connecticut credit union's (1) organizers and employees and (2) advisory director.

The bill permits single and multiple common bond fields of membership to include (1) associations and organizations of the credit union's members, (2) partnerships where the majority of partners are members, and (3) corporations in which a majority of shareholders are members.

The bill repeals the current criteria by which the commissioner must judge whether to approve any change to a field of membership. Instead it applies these criteria only to an amendment that would allow a multiple common bond membership credit union to expand its field of membership to add a group of 500 or more potential members, excluding those eligible because of a family relationship or relation to a community, neighborhood, or rural district. In addition, he must find that (1) the credit union has complied with applicable laws and (2) it is not practicable or safe for the proposed group to form its own credit union. The bill seems to allow amendments to add smaller groups without the commissioner's approval.

The bill requires any credit union with a multiple or single common bond field of membership that acquires people in a well-defined community, neighborhood, or rural district other than an underserved investment area through merger, expansion, or otherwise, to become a community credit union. It allows the commissioner to withhold or condition approval of a community credit union's bylaw amendment on its community reinvestment performance.

MEMBERSHIP APPLICATIONS AND EXPULSION OF MEMBERS (§ 40)

Current law requires all membership applications to be submitted to a membership officer, if one is appointed, who has the authority to approve applications and must report to the governing board on applications approved and received. The bill directs all membership applications to be submitted to the Connecticut credit union. It requires the governing board to consider and act on these applications at each regular meeting or appoint a membership officer. Current law allows the governing board to expel members failing to carry out their obligations to the credit union or violating its bylaws, and allows members to give notice and withdraw from membership. The bill removes the member withdrawal provision.

CREDIT UNION MEETINGS (§ 41)

Current law requires Connecticut credit unions to hold annual meetings when their governing boards decide; the bill requires annual meetings as the bylaws provide. The bill allows the governing board to call special meetings, as the bylaws provide, at (1) the request of a majority of the board, (2) the supervisory committee's written request, or (3) the request of 10% of the credit unions members, or any lesser percentage as the bylaws provide. It prohibits a member under age 18 from voting or holding office. Unless the bylaws provide otherwise, the bill allows members to vote (1) in person, (2) by proxy, or (3) by mail ballot. Current law expressly prohibits proxy voting and does not mention mail ballots.

REPORTING AND RECORDING REQUIREMENTS (§ 42)

Current law requires Connecticut credit unions to submit annual reports to the commissioner within 31 days after their fiscal year ends. The bill requires them to submit reports to the commissioner twice a year, on February 1 and April 1, and otherwise as often as he deems necessary. It requires them to present management and committee information as required under current law and to identify each committee chairman. The bill requires credit unions to establish and maintain records, accounting systems, and procedures accurately reflecting their operations so the commissioner can readily determine their true financial condition and ensure their compliance with the Connecticut Credit Union Act.

LOAN AND LEASE LOSSES (§ 43)

Current law establishes the amount of reserves a credit union must maintain against bad loans and other losses. The bill instead requires Connecticut credit unions to establish and maintain an “allowance for loan and lease losses account” in an amount representing its estimated losses on loans and leases. It specifies that credit unions must compute and adjust the allowance necessary before declaring or paying dividends. Most of the bill’s provisions on the allowance for loan and lease losses are the same as current reserves law, but it raises the threshold net worth amount determining which contribution provisions apply to a credit union from \$500,000 to \$2 million.

The bill defines “net worth” as (1) a Connecticut credit union’s retained earnings balance at the end of each dividend, excluding the allowance for loan and lease losses account, and (2) for a credit union that the NCUA designates as a low-income credit union under federal law, including any uninsured secondary capital account subordinate to all other claims, including creditors, shareholders, and the National Credit Union Share Insurance Fund. It specifies that retained earnings consist of (1) undivided earnings, (2) regular reserves, and (3) other appropriations the commissioner, the NCUA, or the credit union’s governing board, with the commissioner’s approval, designate.

DEPOSITS (§ 44)

Under current law, credit unions can deposit their funds only in government-insured accounts, and cannot deposit more than 10% of their assets in out-of-state institutions. The bill allows credit unions to deposit funds in any depositories their governing boards designate. It prohibits withdrawing funds unless the director or designated member of senior management signs the withdrawal check or order.

GOVERNING BOARDS (§ 45)

Authority

The bill gives Connecticut credit union governing boards control over managing the credit union’s operations, funds, committee actions, and records. It adds to the board’s current powers by authorizing it or its designee to:

1. establish and adopt written policies needed to implement the credit union’s powers, which must be approved and reviewed at least

- annually, including policies on:
- a. lending and investments, in accordance with the Connecticut Credit Union Act,
 - b. employment and personnel,
 - c. funds management,
 - d. collections and charge-offs,
 - e. charitable contributions, and
 - f. conflicts of interest;
2. make adequate provision for an allowance for investment losses and the loan and lease losses account;
 3. establish different classes of share accounts, including special purpose accounts classified according to different rights and restrictions;
 4. ensure that required bonds are maintained in full force and effect at all times;
 5. approve loans in accordance with the credit union's bylaws;
 6. set credit union employees' compensation levels; and
 7. establish a supervisory committee, appoint its members, and establish and appoint members to other committees as the bylaws allow, all of which must keep minutes of all actions they take.

Membership

The bill specifies that a credit union's governing board consist of an odd number of directors, with a minimum of five. It removes the current 15-member maximum and defines a "director" as a member of a Connecticut credit union's governing board, a director emeritus, or an advisory director. The bill requires the commissioner to approve all directors elected or appointed to serve on a troubled Connecticut credit union's governing board before they begin service. It defines "troubled Connecticut credit union" as one that, in the commissioner's written opinion, is (1) in danger of insolvency; (2) unlikely to be able to meet its members' demands or pay its obligations in the normal course of business (3) likely to incur losses depleting most or all of its capital; or (4) operating in an unsafe and unsound manner. It defines "capital" as (1) undivided earnings; (2) regular reserves; (3) other special purpose reserves; (4) donated equity; and (5) accumulated, unrealized security gains or losses.

The bill allows a director to serve multiple terms and stipulates that the terms of office for directors serving terms longer than one year be staggered to ensure that an equal number of terms expire each year. It

requires each director to take an oath or affirmation that he will (1) diligently and honestly perform his duties in administering the credit union's affairs, (2) remain responsible for the duties of a director even if he delegates their performance, and (3) not knowingly or willfully allow any violation of credit union laws.

In addition to the current requirement that directors be members in good standing, the bill prohibits anyone from serving as a credit union's director if he (1) has been found liable on any claim, or convicted of any offense, involving dishonesty or breach of trust; (2) has been removed by any state or federal regulatory agency from office as a financial institution's director, officer, or employee; (3) is not eligible for coverage under the credit union's surety bond; or (4) has habitually failed to pay debts or has become insolvent or bankrupt, unless the governing board decides in writing that his service as director is in the credit union's best interests.

Suspension and Removal

The bill requires the credit union's governing board, by a two-thirds vote of its members at a regular or special meeting, to remove a director or board-appointed committee member who has failed, without good cause, to attend three consecutive board or committee meetings or half of the meetings held during the calendar year, or who is no longer qualified for the position under the criteria cited above. The bill allows a governing board to remove or suspend, by a two-thirds vote, any director or board-appointed committee member for good cause, including (1) violation of any credit union statute, regulation, or order; (2) participation in any unsafe or unsound practice in connection with the credit union; (3) being charged with committing or participating in a crime punishable by more than one year in prison under state or federal law, if continued service or participation could pose a threat to the credit union's members; (4) failure to perform his duties or breach of his fiduciary duty; (5) use of his official position in a way contrary to the credit union or its members' interest; and (6) breach of a written agreement with the commissioner.

The bill requires the board promptly to notify the commissioner of any decision to suspend; the suspension takes effect immediately, and within seven business days the board must notify all of the credit union's members of a special meeting to hear the report on the

suspension and vote on removal. The bill does not require this notice to be given if the suspended director or member resigns. The special meeting must take place within 21 business days after the suspension's effective date. The bill authorizes the credit union's membership, by majority vote, to reject or accept the governing board's report and requires the board to take any action the members deem necessary. If this action involves removal, the bill requires the credit union promptly to notify the commissioner.

Vacancies

Current law requires filling board vacancies according to the credit union's bylaws. Under the bill, if a vacancy occurs on the governing board because of a director's death, resignation, or removal, a majority vote of the remaining directors is needed to fill the position, regardless of whether they constitute a quorum. It allows a director so elected to hold office until the next annual meeting, when the credit union's members must vote to fill the rest of the unexpired term. The bill requires the secretary to appoint a successor for any governing board vacancy due to the expiration of a director's term. But if there are more candidates than vacancies to fill, the bill requires the credit union's members to vote on the matter.

Advisory Directors and Directors Emeritus

The bill allows the governing board, as the bylaws permit, to appoint advisory directors and directors emeritus to serve at its pleasure and advise the board on executing its duties and responsibilities. An advisory director need not be eligible for credit union membership, but a director emeritus must be a credit union member. The bill prohibits advisory directors from being governing board members, directors emeritus from being credit union officers, and both from voting on any governing board matter. An advisory director, but not a director emeritus, may participate in governing board or committee deliberations, but neither may make any motions. The bill requires the bylaws to specify the number of advisory directors and directors emeritus and their qualifications.

Governing Board Meetings (§ 46)

Current law requires the governing board to meet at least monthly. The bill continues this, but if the governing board delegates its

authority to an executive committee, it requires one body to meet at least monthly and the other at least quarterly, according to the bylaws. Unless the bylaws provide otherwise, the bill allows the board to permit any and all directors to participate in all but one board meeting per year through the use of any means of communication allowing all participating directors simultaneously to hear and communicate with each other during the meeting. The bill deems any person participating through these means to be present at the meeting.

The bill requires the governing board to elect its officers and appoint committee members at its first meeting after the annual meeting. Unless the bylaws require a greater number, the bill considers a majority of the board to constitute a quorum. It regards any act of a majority of directors present at a meeting where there is a quorum to be an act of the governing board, unless the bylaws or the Connecticut Credit Union Act provide otherwise.

EXECUTIVE COMMITTEES (§ 47)

The bill requires an executive committee, if the governing board appoints one, to consist of an odd number of three or more credit union directors. It removes the current five-member maximum. The bill provides for the committee to meet quarterly or monthly, according to the bylaws, and to act for the governing board between the board's meetings in all areas except approving policies, subject to the board's conditions and limitations. Current law requires one of the executive committee members to be chairman of the governing board. The bill does not contain this provision, nor does it specifically state the ways in which the committee can act for the board.

SUPERVISORY COMMITTEES AND CREDIT UNION AUDITS (§ 48)

The bill requires a credit union's supervisory committee to consist of three or more credit union members annually appointed by the governing board. None may simultaneously serve on the credit committee or as the credit union's officer or employee. Only one may simultaneously serve as the credit union's director, and all must be members in good standing. It removes the current five-member limit.

The bill makes the supervisory committee responsible for ensuring that directors and senior managers meet required financial reporting objectives and establish practices and procedures sufficient to

safeguard members' assets. To fulfill these responsibilities, the bill requires the supervisory committee to determine whether (1) internal controls are established and effectively maintained; (2) accounting records and financial reports are accurate and promptly prepared; (3) relevant plans, policies, and procedures the governing board established are administered properly; and (4) the governing board's plans, policies, and control procedures are sufficient to safeguard against error, carelessness, conflict of interest, self-dealing, and fraud.

The bill gives the supervisory committee sole authority to hire and fire outside and internal auditors. As under current law, it requires an annual audit. It also requires any agreement between the committee and an outside auditor to be documented in an engagement letter specifying the terms, conditions, and objectives of the employment or stating agreed-upon procedures. The committee must make or provide for an annual audit covering the entire period since the last audit. It prohibits any paid outside auditor from being a credit union employee, governing board or board-appointed committee member, credit manager, loan officer, or an immediate family member of any of these people.

The bill requires each Connecticut credit union's annual audit to contain an opinion audit of its financial statement by an independent licensed or certified public accountant. Credit unions with less than \$300 million in total assets must also have: (1) an agreed-upon "procedures engagement" performed by a trained and proficient auditor that adequately assesses the credit union under audit, provided that the supervisory committee must satisfy any comprehensive audit requirements the audit does not meet and (2) a comprehensive audit performed by the supervisory committee, the credit union's internal auditors, or another financial institution's internal auditors.

The bill requires the committee to verify members' accounts at least once every two years by (1) verifying all members' share and loan accounts, (2) obtaining a statistical sampling of member share and loan accounts performed in connection with an independent licensed or certified public accountant's opinion audit, or (3) using a statistical sampling method resulting in a random selection representative of the credit union's membership. Current law requires the supervisory committee to file its report at the credit union's main office and present it to the governing board. The bill also requires the committee to file a copy of its written report with the commissioner.

The bill requires the supervisory committee, or any independent licensed or certified public accountant, internal auditor, or other auditor, as applicable, to provide related working papers, policies, and procedures concerning the annual audit, internal audit, examination, and verification to the commissioner upon his request. It mandates the governing board to require the auditor to submit a signed report of the audit or examination showing the credit union's condition within a reasonable time after the audit or examination's effective date.

The bill empowers the supervisory committee to suspend at any time, by a two-thirds vote of its members, any credit union director, employee, or board-appointed committee member for cause, at a meeting called for that purpose. It requires the suspension to take effect immediately, and the committee promptly to notify the commissioner. Current law requires the committee to notify all members of a special meeting to hear its report on the suspension and to vote on removal. But the bill does not require this notice if the person subject to suspension resigns. The bill specifies that the special meeting must take place no more than 21 business days after the suspension date. It requires the supervisory committee promptly to notify the commissioner if the members ask it to remove the offending party.

CREDIT COMMITTEES (§ 49)

The bill allows a credit union's governing board to delegate, in accordance with its bylaws, some or all of its lending authority to (1) a credit committee; (2) a credit manager; (3) loan officers; or (4) any combination of these. The bill defines a "credit manager" as a person approved by a Connecticut credit union's governing board to supervise lending activities. If the bylaws permit credit committees, the bill directs that the committee consist of an odd number of three or more credit union members in good standing, and it removes the current five-member limit. As under current law, none of them may simultaneously serve on the supervisory committee.

Current law prohibits loan officers from disbursing the credit union's funds for any credit extensions they approve except those secured in full by pledge of the borrowing member's own shares. The bill applies the same restriction to credit managers. It also allows any unsuccessful applicant for credit or release or substitution of collateral

to appeal to the credit committee, if applicable, or else to the governing board. The bill requires the committee or board to act on the appeal at its next regular meeting. If the credit committee disapproves the appeal, the person can appeal to the governing board, unless he is appealing a denial by a credit manager or loan officer. The governing board must act on the appeal at its next regular meeting.

CREDIT UNION AND EMPLOYEE AND MEMBER BENEFITS (§ 50)

With the commissioner's approval, the bill permits a credit union to provide reasonable health, accident, and related personal insurance to its directors, other than its emeritus and advisory directors. This is not considered compensation.

INSIDERS (§ 51)

The bill requires Connecticut credit unions' governing boards to adopt a written conflict of interest policy including provisions addressing transactions with (1) insiders and their immediate family members and (2) other people with common ownership, investment, or other pecuniary interest in a business enterprise with insiders and their families. The bill defines an "insider" as a credit union's director, board-appointed committee member, senior manager, or loan officer. It considers an "immediate family member" to be a person related by blood, adoption, or marriage to a person in a Connecticut credit union's field of membership. It defines "senior management" as the president or chief executive officer (CEO), vice president or vice CEO, chief financial officer, credit manager, or any person in a similar position.

If a Connecticut credit union extends credit to an insider, the bill requires the governing board's approval if (1) the insider is the debtor, guarantor, endorser, or cosigner and (2) the credit extension by itself, or added to the total outstanding credit on which the insider is the debtor, guarantor, endorser, or cosigner, exceeds \$25,000 plus pledged shares.

The bill prohibits a credit union insider or professional the credit union hires from directly or indirectly participating in any decision affecting his pecuniary interest or that of his immediate family, or any corporation, partnership, or association, other than the credit union, in which he has a direct or indirect interest. It also prohibits an insider,

his immediate family members, or other people sharing a common ownership, investment, or other pecuniary interest with an insider or his immediate family from (1) getting a credit extension from the credit union with preferential rates, terms, or conditions; (2) acting as a guarantor or endorser on the credit extension; or (3) being involved with appraising or valuating assets to be used as collateral.

The bill prohibits insiders and their immediate family from directly or indirectly receiving any commission, fee, or other compensation, except those of nominal value, in connection with the credit union's extensions of credit. But the bill specifies that this prohibition does not apply to the credit union's payment of (1) employee salaries, incentives, or bonuses based on the credit union's overall financial performance; (2) incentives or bonuses to employees not part of senior management, in connection with an extension of credit, so long as the governing board establishes related policies and controls and monitors compliance at least once a year; and (3) fees to an insider or his immediate family for performing title searches, loan closings, and collections. The bill also allows directors, board-appointed committee members, employees not part of senior management, and their immediate family members to receive compensation from someone outside the credit union for services or activities the director, committee member, or employee performed, as long as they did not make a referral. The bill stipulates that insiders conduct all permissible transactions at arm's length and in the credit union's best interests.

The bill prohibits insiders, their immediate families, and credit union employees from receiving anything of value in connection with the credit union's investment or deposit of its funds, unless the governing board determines they do not present a conflict of interest, and includes the determination in its minutes. The bill specifies that this prohibition does not bar the credit union from paying salaries, incentives, and bonuses to its employees in connection with making these investments or deposits. With the commissioner's approval, the bill allows a credit union to retain an employee or director who serves as an officer, employee, or director of any other financial institution. It defines a "financial institution" as any Connecticut, federal, or out-of-state bank or credit union.

The bill prohibits an insider and his immediate family from receiving any direct or indirect payment or benefit connected to the credit union's insurance or group purchasing activities for members and

employees. It specifies that this prohibition also applies to any employee who is directly involved in insurance or group purchasing activities, unless the governing board determines the employee's involvement does not present a conflict of interest and includes this determination in its minutes.

The bill prohibits Connecticut credit unions from buying, leasing, or otherwise acquiring, without the governing board's approval recorded in its minutes, premises from: (1) an insider or his immediate family member; (2) a corporation in which the insider or his immediate family member is an officer or director or has an ownership interest of 10% or more; or (3) a partnership in which any insider or his immediate family member is a limited or general partner with an interest of 10% or more. The bill applies this prohibition to any employee who is directly involved in fixed asset investments, unless the governing board determines the employee's involvement does not present a conflict of interest and includes this determination in its minutes.

It prohibits insiders, employees, and their immediate families from directly or indirectly buying any credit union asset for less than the current fair market value, unless the credit union's governing board approves the transaction, determines it to be in the credit union's best interest, and records both in its minutes. When a credit union hires an insider or his immediate family member to render services, the bill requires the governing board to document in its minutes that the hiring was (1) at arm's length, (2) in the credit union's best interests, and (3) in accordance with the competitive bidding and appropriate due diligence provisions of the credit union's conflict of interest policy.

The bill prohibits directors, board-appointed committee members, members of senior management, and members of their immediate families with outstanding credit union service organization loans or investments from directly or indirectly receiving any salary, commission, investment income, or other compensation from the credit union service organization or any person it serves. But the bill specifies that it does not bar (1) Connecticut credit union insiders or their immediate family from helping to operate the credit union service organization, if this organization does not pay them and (2) reimbursing the credit union for services its directors, committee members, or senior management members provide, if the credit union service organization pays in full, at least quarterly, the amount it owes the credit union for these services.

The bill prohibits Connecticut credit unions from making a member business loan if the credit union or its senior management receives additional income tied to the profit or sale of the business or commercial endeavor for which the loan is made.

CONNECTICUT CREDIT UNION AUTHORIZED POWERS (§ 52)

In addition to their current powers, the bill allows Connecticut credit unions to:

1. receive deposits from their members and certain nonmembers;
2. reduce the amount of their nonmember shares and deposits;
3. expel members;
4. use their best efforts to make secured and unsecured loans to their members in accordance with the Connecticut Credit Union Act and alternative mortgage loan laws;
5. declare and pay dividends, and pay interest refunds to borrowers;
6. act as a finder or agent for insurance and annuity direct sales, sell insurance and annuities indirectly through a Connecticut credit union service organization, or enter into arrangements for third-party marketing organizations to sell insurance and annuities at the credit union or to its members, so long as:
 - a. the insurance company issuing or selling the insurance and annuities is licensed to do so;
 - b. the Connecticut credit union, Connecticut credit union service organization, or third-party marketer gets an insurance license before selling any insurance or annuities;
 - c. the insurance sold does not include title insurance; and
 - d. the credit union or credit union service organization does not underwrite the insurance or annuities;
7. act as a federal, state, or local government or agency's fiscal agent;
8. provide to other Connecticut, federal, and out-of-state credit unions (a) loan processing and servicing, (b) member check and money order cashing services, (c) share withdrawal and loan proceed disbursement, (d) money orders, (e) internal audits, (f) automated teller machine services, and (g) other similar services;
9. provide services to help its customers find products, including offering third party products and services by (a) selling advertising space on its web site, (b) putting enclosures in account statements and receipts, and (c) selling statistical or consumer financial information to outside vendors in accordance with disclosure laws;

10. exercise fiduciary powers, with the commissioner's prior approval;
11. maintain and rent out safety deposit boxes if the credit union has sufficient insurance to cover any losses;
12. provide certification services, such as notarizing, guaranteeing signatures, and certifying electronic signatures and share drafts;
13. acting as an agent for (a) an authorized tax collector or (b) an in-state electric, electric distribution, gas, water, or telephone company in collecting moneys due to it;
14. issuing and selling securities that (a) the Federal National Mortgage Association or another entity authorized to create a secondary loan market for the credit union's type of loans guarantees or (b) subject to the commissioner's approval, relate to loans the credit union makes and are guaranteed or insured by a financial guaranty insurance company or similar entity;
15. establish a charitable fund, either as a trust or nonprofit corporation, so long as (a) it is tax-exempt and the tax code allows it to accept charitable contributions, (b) the fund fully discloses its operations upon the commissioner's request, and (c) the credit union's trust department or at least one director or senior manager acts as the fund's trustee or director;
16. in a majority of the governing board's discretion, make contributions or gifts to or for a 501(c)(3) tax-exempt charitable, educational, or public welfare organization, without the limits applicable under current law;
17. pledge or assign any or all of its outstanding loans to any other credit union service organization, quasi-governmental entity, or government-sponsored enterprise and act as the collecting, remitting, and servicing agent for the loans, charging for these acts;
18. buy the minimum amount of an entity's capital stock if the entity requires the purchase in connection with the credit union's loan sale, pledge, or assignment and hold and dispose of the stock;
19. buy one or more loans from any other lending institution or federally-recognized Native American tribe, if it has a formal written agreement with the tribal government allowing the credit union to service and collect on the loans;
20. join the Federal Home Loan Bank System, with the commissioner's approval, and borrow funds as federal laws allow;
21. sell some or all of its non-loan assets to another lending institution, buy some or all of another lending institution's non-loan assets, and assume some or all of a Connecticut or out-of-state credit union's liabilities;
22. sell a branch or some or all of its assets, with the commissioner's

- approval; and
23. engage in credit union- or financially-related activities (like data processing, consumer services, and tax planning), with the commissioner's approval, unless the commissioner feels that the credit union's credit union service organization should perform the activities to protect the credit union from loss exposure.

PAR VALUE AND PAYMENTS (§§ 53, 54)

Current law allows a credit union's shares to have a par value of \$5 or any multiple of \$5; the bill limits the par value to a \$100 maximum. Current law also allows members, with the commissioner's written approval, to make payments on their shares that qualify as part of a retirement plan. The bill continues to allow these payments but limits them to individual retirement accounts and Keoghs, excluding 401(k) accounts allowed under current law.

The bill allows Connecticut credit unions to receive payment on shares from a nonmember who is (1) an individual holding an account jointly with a member; (2) a federal, state, or local governmental entity; (3) a federally-recognized Native American tribal government located in Connecticut; or (4) another credit union. Current law allows credit unions only to pay on shares from nonmembers who are state or federal officers, employees, or agents with official custody of public funds.

The bill permits NCUA-designated low-income Connecticut credit unions to offer secondary capital accounts to anyone other than individuals, subject to applicable federal laws. It also allows Connecticut credit unions to get share insurance coverage from a licensed Connecticut insurance company in amounts exceeding the Federal Credit Union Act's limits.

PAYMENT OF DIVIDENDS (§ 56)

Under current law a credit union's dividends may be paid only from net earnings, after provision is made for required reserves. The bill allows a Connecticut credit union's governing board, or its executive committee or senior management if the governing board so delegates, to declare and pay dividends on partial or full shares from current or accumulated net earnings, so long as the credit union can still (1) meet its net worth requirements, (2) provide for accrued and unpaid

expenses, and (3) adequately fund the allowance for loan and lease losses account. But it prohibits a credit union from declaring or paying dividends if (1) it is insolvent or paying dividends would make it so or (2) its net assets are less than stated capital or paying dividends would make them so.

LOANS AND LOAN POLICIES (§ 57)

The bill requires Connecticut credit unions to adopt and implement written loan policies calling for all loan applications to be in writing, and addressing (1) the categories and types of secured and unsecured loans the credit union offers; (2) the way it will make and approve mortgage loans, member business loans, and insider loans; and (3) underwriting guidelines and collateral requirements. The policy must also cover acceptable standards for (1) title review, title insurance, and appraiser qualifications and (2) appraisal and evaluation standards and the administration process. The bill allows the commissioner to review loan policies and order changes to ensure safe and sound lending practices.

As under current law, the bill prohibits an obligor's total direct or indirect liabilities to a credit union from exceeding the greater of \$200 or 10% of the credit union's assets when incurred. It allows exceeding these limitations for up to six hours if, at the closing where the obligor incurs these liabilities, the credit union immediately assigns or apportions to one or more other people at least the amount over the limit. The bill considers a liability to be incurred at closing, unless a legally binding written contract to enter into the transaction precedes the closing, in which case the liability is incurred at the time of the commitment. It views a liability as the net of all liabilities the obligor will pay to the credit union at closing from the commitment proceeds. The bill specifies that the general partners' liabilities be included in computing a partnership's liabilities, and the partnership's liabilities included in computing a general partner's liabilities.

MORTGAGE LOANS (§ 58)

The bill allows Connecticut credit unions to make mortgage loans to their members. It defines "mortgage loan" for this purpose as (1) a closed-end loan or line of credit (2) secured wholly or substantially by a lien on, or interest in, real estate, (3) including a leasehold interest, and (4) secured by a one-to-four family residence that is a member's

primary residence or (5) by any other real estate, so long as the credit union's loans to a mortgagor secured by other real estate total no more than \$50,000. The bill exempts from its restrictions mortgage loans that the Administration of Veterans' Affairs guarantees, commits to, or insures. It allows credit unions to make mortgage loans secured by a leasehold interest, so long as the leasehold estate's term, excluding any renewal, does not expire before the loan matures. The bill specifies that a mortgage loan does not include a member business loan. It defines "real estate" for mortgage loan purposes to include land, any structure, and other improvements or equipment permanently attached to the land or structure.

Current law requires a person familiar with real estate values in the community where the real estate is located to appraise or evaluate it before the credit union makes a mortgage. The bill specifies that the credit union's governing board or its designee approve the appraiser before he makes his assessment, but it permits using an appraisal by someone who appraised the property for a governmental agency that plans to insure or guarantee it.

The bill adds new requirements to the other provisions of current mortgage law. First, it requires mortgage loans a Connecticut credit union makes (1) secured by a first lien or interest to mature not more than 42 years after they were made and (2) to finance a manufactured home or secured by a subordinate lien to mature not more than 20 years after they were made. It defines "manufactured home" as a movable dwelling containing living facilities suitable for one family to live in year-round, including permanent facilities for eating, sleeping, cooling, and sanitation, as long as the purchaser uses the dwelling as a residence and will, within 90 days after purchase, situate it in a manufactured housing community or other semi-permanent site in Connecticut.

Second, the bill requires Connecticut credit union mortgage loans to have their principal and interest paid in at least consecutive semiannual installments, with payments sufficient to pay off the entire loan within 42 years from the first payment and the first payment within 24 months of the date of the loan. But the semiannual payment requirement does not apply to: (1) consumer revolving loan agreements; (2) alternative mortgage loans; (3) loans secured by residential real estate that can be demanded at any time; (4) building construction loans, with the commissioner's approval, that will mature

within 24 or 36 months; and (5) any other loan or class of loan the commissioner chooses.

The bill exempts Federal Housing Administration (FHA) insured loans from its mortgage loan restrictions, but subjects those loans to two additional limitations: (1) for first mortgages on real estate, the insurance contract must provide that the federal government fully guarantees that principal and interest will be paid in the event of loan default or foreclosure, and (2) if the credit union has a commitment for FHA insurance, it may grant the borrower an installment construction loan if the total of all installments is no more than the greater of (A) 80% of the real estate's value each time the credit union makes an advance or (B) the final loan's proportion to the real estate's final estimated value, except that the final advance may make the total of all advances equal to the total loan amount. Current law prohibits the installment total from exceeding the greater of 50% of the real estate's value or the final loan's proportion to the final estimated property value. The bill prohibits the credit union from making the final advance on an insured loan until the FHA inspects and approves the construction.

The bill allows Connecticut credit unions to invest in mortgages otherwise prohibited under its restrictions if (1) its governing board or board-appointed committee reviews the loan's or overall loan program's nonconforming aspects and finds the loan or program prudent under the circumstances and (2) the total of its outstanding nonconforming loans is no more than 8% of the credit union's total assets. It requires the credit union to record its decision regarding the loan or program's prudence and its reasons in the application file. A nonconforming loan can be removed from the assets limitation when the borrower repays the loan or the nonconforming aspects no longer exist.

MEMBER BUSINESS LOANS (§ 59)

Establishing a Business Loan Program

The bill prohibits Connecticut credit unions from making member business loans until they (1) meet the commissioner's net worth (i.e., retaining earnings) requirements, (2) develop a member business loan program, and (3) get the commissioner's prior written approval. In applying for the commissioner's approval, the credit union must

include its member business loan policy and show its has sufficient resources, knowledge, systems, and procedures in place to monitor and control the risks involved. It requires Connecticut credit unions making member business loans to hire a person with at least two years direct experience to process, make, or service the loans.

Definitions

The bill defines a “member business loan” to be any loan, line of credit or unfunded credit line commitment, letter of credit, or other credit extension that the borrower plans to use for (1) commercial, (2) corporate, (3) investment property, (4) a business venture, or (5) agricultural purposes. It excludes the following loans: (1) those fully secured by a lien on the member’s one-to-four family residence; (2) those fully secured by credit union or other financial institution shares or deposits; (3) one or more loans totaling less than \$50,000 to members or associated members who plan to use the money to benefit a common endeavor; (4) those that a federal, state, or local governmental agency fully insures, guarantees repayment, or commits in advance to buy in full; or (5) those that a corporate Connecticut credit union grants to a Connecticut , federal, or out-of-state credit union. The bill defines an “associated member” as any member sharing ownership, an investment, or another pecuniary interest in a business or commercial endeavor with the borrower. It defines a “construction loan” as a loan for developing or acquiring real estate the borrower plans to use to produce income, such as renting or selling residential or commercial property. The bill defines “net worth” as retained earnings.

Credit Union Business Loan Policy

The bill requires the credit union’s governing board to adopt and annually review a specific member business loan policy addressing:

1. the types of member business loans it will make;
2. the trade area;
3. the maximum amount of assets, in relation to net worth, that it will invest in member business loans;
4. the maximum amount of assets, in relation to net worth, it will invest in each type of member business loans;
5. the maximum amount of assets, in relation to net worth, that it will loan to a single member or associated member, subject to the bill’s overall business loan limits (see below);

6. the qualifications and experience it will require of its member business loan employees;
7. the documentation required to support each loan application, which it may amend as necessary, including:
 - a. balance sheet
 - b. cash flow analysis
 - c. income statement
 - d. tax data
 - e. leveraging analysis
 - f. comparison with industry standard
8. the extent to which it will require its employees to underwrite the loan;
9. receiving and updating financial statements and other documentation, including tax returns;
10. for loans secured primarily by a mortgage on income-producing real estate, getting and retaining income projection statements, tenants' financial statements, and other necessary credit information;
11. collateral requirements, including
12. loan-to-value ratios
13. value and ownership determinations
14. steps to secure collateral
15. frequency of re-evaluating collateral value and marketability
16. interest rates and maturities;
17. general procedures, including loan monitoring, servicing, administering, and collection;
18. guidelines for buying and selling member business loans and loan participation, if applicable.

Loan Limits

The bill allows Connecticut credit unions to make unsecured member business loans so long as:

1. the total unsecured net outstanding member business loan balance to any one member or associated members does not exceed the lesser of \$100,000 or 2.5% of the credit union's worth;
2. the total of all unsecured net outstanding member business loan balances does not exceed 10% of the credit union's net worth;
3. the credit union's net worth is at least 7%; and
4. the credit union submits quarterly reports to the commissioner, providing numbers and any other details he requires.

The bill defines the “net outstanding member business loan balance” as the outstanding loan balance, including unfunded commitments but excluding portions of member business loans (1) secured by credit union shares, (2) secured by shares or deposits in other financial institutions, or (3) that a federal, state, or local governmental agency partially insures, guarantees, or commits in advance to purchase.

The bill prohibits the total amount of secured and unsecured net outstanding member business loan balances to any one member or associated members from exceeding the greater of (1) \$100,000 or (2) 15% of the credit union’s net worth, but allows the commissioner to waive this maximum. It limits a Connecticut credit union’s total amount of secured and unsecured net outstanding member business loan balances to the lesser of (1) 12.25% of its total assets or (2) 1.75 times its net worth. It allows the commissioner to grant an exception to the aggregate limit if the credit union submits a written request documenting that it meets at least one of the following criteria:

1. it serves predominately low-income members;
2. it participates in the federal Community Development Financial Institutions Program; or
3. it can demonstrate that it was established to make member loans.

The bill requires the commissioner to notify the credit union and the NCUA of his decision within 45 days after the exemption request. It allows him to revoke an exemption if the credit union ceases to qualify or for safety and soundness reasons.

Construction Loans

The bill subjects member business construction loans to additional requirements, unless the commissioner waives them:

1. the total of all construction loans may not exceed 15% of the credit union’s net worth;
2. the borrower must have at least a 35% equity interest in the real estate at issue; and
3. the loan records may be released only after qualified personnel make on-site, written inspections in accordance with a pre-approved draw schedule and any other conditions the loan documentation requires.

Loan-to-Value Ratios

The bill limits the loan-to-value ratio for member business loans secured by first liens to 80% or less, unless a private mortgage or equivalent insurance covers the value over 80%, or a federal, state, or local governmental agency insures, guarantees, or commits in advance to purchase the excess. It allows the commissioner to waive this limit and permit a loan-to-value ratio up to 95%.

The bill also prohibits the loan-to-value ratio for member business loans secured by second or lesser priority liens from exceeding 80%, unless the credit union holds the first lien and a (1) private mortgage or equivalent insurance covers the value over 80% or (2) a federal, state, or local governmental agency insures, guarantees, or commits in advance to purchase the excess. It bars the loan-to-value ratio from ever exceeding 95%.

Waivers

The bill allows a Connecticut credit union to request a waiver of the limits on (1) member business loans, (2) member business construction loans, and (3) loan-to-value ratios for member business loans secured by first liens. It can do so by submitting the following documentation to the commissioner:

1. a copy of its member business loan policy;
2. a statement of the higher limit it seeks, if applicable;
3. an explanation of its need to raise the limit or change the appraisal requirement, as applicable;
4. documentation to support its ability to manage the activity;
5. an analysis of its prior member business loan experience, including:
 - a. its history of loan losses and loan delinquency,
 - b. volume and cyclical or seasonal patterns,
 - c. diversification,
 - d. concentrations of credit to one member or associated members over 15% of its net worth,
 - e. underwriting standards and practices,
 - f. types of loans grouped by purpose and collateral, and
 - g. qualifications of the employees who process, approve, and administer the loans.

The bill requires the commissioner to provide the NCUA's Region 1 with a copy of the request and consult and work cooperatively with that office to make a decision. It allows the commissioner to grant or deny the waiver within 60 days of receiving the request.

The bill subjects member business loans to federal appraisal requirements, but allows the credit union to request a waiver (it does not say from where). Both the commissioner and the NCUA must approve the request in writing before it takes effect.

The bill allows the commissioner to lower any limit, revoke any waiver, or revoke a credit union's approval to make member business loans if the credit union's policies or practices violate safe and sound lending principals. It requires credit unions' financial statements to identify their total member business loans, and separately identify each category of member business loans in their records.

CREDIT UNION INVESTMENTS (§ 60)

In addition to those authorized by current law, the bill allows Connecticut credit unions to invest their uncommitted funds in:

1. the Student Loan Marketing Association's (SLMA) obligations, and its other securities and instruments;
2. any other NCUA-insured Connecticut, federal, or out-of-state credit union's federal funds, shares, share certificates, or other share deposits;
3. an FDIC-insured Connecticut, federal, or out-of-state bank's federal funds or deposit accounts;
4. any federal reserve bank or state or federal central liquidity facility's shares, deposits, or loans;
5. any corporate Connecticut, federal, or out-of-state credit union's shares, deposits, or loans;
6. shares of, deposits with, or loans to a national or state credit union association or credit union corporation of which the credit union is a member, if the investment does not constitute a controlling interest in the entity or total more than 1% of the credit union's total assets;
7. real estate and real estate improvements, furniture, fixtures, and equipment for the credit union's future use, but the investment may not total more than 5% of the credit union's total assets without the commissioner's written approval;

8. debt and equity mutual funds, whose portfolios consist solely of authorized government and SLMA securities and obligations;
9. fixed or variable rate asset-backed securities, collateralized mortgage obligations, and real estate mortgage investment conduits, except stripped mortgage-backed securities, residual interests, mortgage servicing rights, commercial mortgage related securities, or small business-related securities;
10. money market funds that a commissioner-approved ratings service rates in the three highest ratings categories;
11. repurchase agreements and reverse repurchase agreements, so long as (A) the underlying securities are legal investments for Connecticut credit unions, (B) the credit union receives daily assessments of the underlying securities' market value, including accrued interest, and maintains an adequate margin reflecting a risk assessment of the underlying securities and the term of the agreement, and (C) the credit union enters into signed contracts with all approved counterparties; and
12. Connecticut, federal, or out-of-state bank-issued Yankee dollar deposits, Eurodollar deposits, bankers' acceptances, deposit notes, and bank notes with original weighted average maturities under five years.

The bill also limits investment in government general and revenue bonds allowed under current law to no more than 10% of the credit union's total assets in any one issuer.

With the commissioner's prior written approval, the bill also allows Connecticut credit unions to invest in:

1. debt and equity securities and debt and equity mutual funds (including money market funds and investment trusts), regardless of any other liability the securities and mutual funds' maker, obligor, guarantor, or issuer has to the credit union, so long as
 - a. a commissioner-approved ratings service rates the securities and mutual funds in the three highest ratings categories, or if not, the credit union's governing board considers them a prudent investment;
 - b. the total amount the credit union invests in one maker, obligor, or issuer's securities and mutual funds does not exceed 25% of its capital;
 - c. the total amount of the debt securities and debt mutual funds do not exceed 25% of the credit union's total assets;

- d. the total amount of the equity securities and equity mutual funds do not exceed 25% of the credit union's total assets; and
 - e. the credit union does not engage in securities trading, including when-issued trading and pair-off transactions, without the commissioner's additional prior written approval; and
2. any other investment the commissioner deems appropriate considering the credit union's financial condition and strategic goals, the investment's inherent risk, and the credit union's ability to monitor and control the risks involved.

Under the bill, "debt securities" means (1) any marketable obligation showing any person's indebtedness in the form of direct, assumed, or guaranteed bonds, notes or debentures, or any similar security; (2) participation agreements in these investments; or (3) repurchase agreements. The bill defines "equity securities" as a stock or similar security, certificate of interest, or participation in any (1) profit-sharing agreement, (2) pre-organization certificate or subscription, (3) transferable share, (4) voting trust certificate or certificate of deposit for an equity security, (5) limited partnership interest, (6) interest in a joint venture, (7) certificate of interest in a business trust; (8) any security convertible, with or without consideration, into a security listed above; (9) any warrant or right; or (10) any put, call, straddle, or other option or privilege of buying or selling a security without being bound to do so, but excluding debt and equity mutual funds.

The bill allows a Connecticut credit union to invest in, or make loans to, credit union service organizations, so long as (1) the total loan or investment to any one organization is no more than 2% of the credit union's total assets, regardless of the credit union service organization's profitability; and (2) the credit union files with the commissioner prior written notice of its intent to make the loan or investment. If the commissioner does not disapprove it within 30 days of filing the notice, the bill permits the credit union to make the loan or investment.

CORPORATE CONNECTICUT CREDIT UNIONS (§ 61)

Current law allows a single central Connecticut credit union to be organized and operated as a Connecticut credit union. The bill keeps most of the central credit union provisions, but renames the entity a

“corporate credit union.” It defines “corporate,” when used to describe a Connecticut, federal, or out-of-state credit union, as an organization that (1) is chartered as a credit union under federal or state law; (2) receives shares from, and provides loan services to, credit unions; (3) operates primarily to serve other credit unions; (4) the NCUA designates as a corporate credit union; (5) limits its number of natural person members to the minimum required by state or federal law to charter and operate the credit union; and (6) does not condition a credit union’s membership eligibility on its membership in any other organization. It must use the word “corporate” in its official name. The bill allows the same membership categories as apply to a central credit union, and also includes (1) credit union service organizations and their associated organizations and (2) the corporate Connecticut credit union’s organizers.

The bill eliminates certain limitations on the governing board’s authority and permissible investments that exist under central credit union law. It allows a corporate Connecticut credit union to invest its surplus in the same way as other Connecticut credit unions, except for debt securities and credit union service organizations, which must be made according to federal corporate credit union laws and must have the commissioner’s approval whenever the federal act directs its credit unions to the NCUA. The bill also allows a corporate Connecticut credit union, with the commissioner’s approval, to accept investments from member and nonmember financial institutions. It considers these investments to be part of the credit union’s paid-in capital, but not its shares.

The bill allows a corporate Connecticut credit union to make loans in the same way as other Connecticut credit unions, but subject to federal lending limits. The federal law limits a corporate credit union’s total unsecured loans to member credit unions to the greater of 50% of its capital or 75% of its total reserves and undivided earnings. Current law limits a central credit union’s total loans to 20% of its paid-in and unimpaired capital and surplus. The bill limits the corporate credit union’s maximum total of secured loans and irrevocable lines of credit to the greater of 100% of capital or 200% of total reserves, undivided earnings, and paid-in capital. The bill also requires a corporate Connecticut credit union to contribute to the reserves based on the reserve ratio requirements in federal law.

The bill allows a corporate Connecticut credit union to borrow funds

up to the limits imposed by federal corporate credit union laws, which allow credit unions to borrow up to the greater of 10 times their capital or 50% of shares. Central credit unions may only borrow funds up to 100% of their paid-in and unimpaired capital and surplus. The bill also allows a corporate credit union to establish and maintain one or more credit union service organizations.

CONNECTICUT CREDIT UNION SERVICE ORGANIZATIONS (§ 62)

Current law allows one or more Connecticut credit unions, with the commissioner's approval, to operate a shared service center for their members' benefit or contract with a credit union service organization to own or operate a center. It defines a credit union service organization as an organization providing services that are useful to credit unions in conducting their operations and providing services to their members.

The bill expands credit union service organizations' role in providing services to credit unions. It allows a Connecticut credit union, with the commissioner's approval, to establish a Connecticut credit union service organization, individually or jointly with other Connecticut, federal, or out-of-state credit unions, or other federally insured depository institutions inside or outside of Connecticut. It defines a "credit union service organization" as an entity organized under state or federal law to provide credit union service organization services primarily to (1) its members, (2) Connecticut and federal credit unions, (3) out-of-state credit unions other than its members, and (4) members of other credit unions. It defines "credit union service organization services" as financial services that (1) state or federal laws authorize credit union service organizations to provide, (2) are closely related to credit union business, (3) are convenient and useful to credit union business, and (4) are reasonably related to the credit union's operations. A "Connecticut credit union service organization" is a credit union service organization located in Connecticut, incorporated under Connecticut laws, and established by at least one Connecticut credit union. The bill repeals the current statutory definition of a credit union service organization, which simply defines them as providing services to credit unions.

The bill requires a Connecticut credit union establishing a credit union service organization to file an application with the commissioner containing (1) a description of the services in which the credit union

service organization will engage, (2) an explanation of how these services are related to credit union services, and (3) any other information the commissioner requires. The bill specifies that the credit union service organization be organized as a corporation, but it may be a limited liability company or limited partnership if the establishing Connecticut credit union files with its application a written legal opinion that the limited liability company or limited partnership will limit the credit union's exposure to no more than the amount of money it invests in or lends to the credit union service organization.

The bill requires a Connecticut credit union service organization to (1) account for all transactions using generally accepted accounting principles; (2) prepare quarterly financial statements and obtain an annual opinion audit on these statements by a licensed certified public accountant; (3) preserve all of its books and records in accordance with the regulations the commissioner adopts; (4) give the commissioner complete access to its books, records, and internal controls for review, evaluation, and examination; and (5) pay the actual cost of any review, evaluation, or examination the commissioner conducts.

The bill allows Connecticut credit unions to invest funds in, or lend to, existing credit union service organizations. But in doing this, the Connecticut credit union must obtain (1) a written agreement that the credit union service organization will perform the same accounting and recordkeeping activities as required above, except preserving its books in accordance with the commissioner's regulations, and (2) a written legal opinion that the credit union service organization is established as a corporation, limited liability company, or limited partnership, and the credit union's potential risk exposure is no more than losing the money it invested in or lent to the credit union service organization. If the Connecticut credit union wishes to maintain its investment in, or loan to, a credit union service organization planning to change its form of organization, the bill requires it to obtain a written legal opinion that the service organization will continue in a form that similarly limits the credit union's potential exposure.

The bill allows a Connecticut credit union service organization to expand its services by filing with the commissioner (1) prior written notice of its intent to expand services, (2) an explanation of how the proposed expansion is related to credit union services, and (3) any additional information the commissioner requires. Unless the

commissioner disapproves within 30 days of filing this notice, the bill permits the organization to expand its services. It prohibits credit union service organizations from acquiring direct or indirect control of another depository institution or investing in shares, stocks, or obligations of an insurance company, trade association, liquidity facility, or similar organization, corporation, or association.

If the commissioner determines that a Connecticut credit union's investments in, or loans to, any credit union service organization exceed the 2% assets limit or is otherwise imprudent for the credit union to maintain, the bill allows him to require the credit union to divest the loans or investments. The bill allows a Connecticut credit union service organization, in connection with providing credit union service organization services, to invest in service providers. But it limits this investment to the amount the service provider requires for its services.

Current law allows a Connecticut credit union, whether or not it invests in a credit union service organization, to enter into agreements with it and pay it appropriate fees and service charges to enable its members to transact with the service organization. The bill also allows a credit union to lend to a credit union service organization to obtain credit union service organization services for itself or provide them to its members.

CONNECTICUT CREDIT UNION BRANCHES AND MAIN OFFICES (§§ 63, 66)

The bill defines "branch" as any Connecticut credit union office at a fixed location, other than the main office, that (1) receives shares or deposits, (2) pays share drafts or checks, or (3) lends money. It prohibits a Connecticut credit union from establishing a branch inside or outside of the state unless it first applies to the commissioner to establish a branch and the commissioner has not disapproved it within 30 days after its filing. The bill allows the commissioner to disapprove an application to establish a branch if he finds that:

1. establishing the proposed branch is inconsistent with safety and soundness or with the Connecticut credit union's field of membership;
2. for a single or multiple common bond membership, establishing the proposed branch will result in impermissible overlap with

- other credit unions' fields of membership in the proposed location;
3. for a community credit union :
 - a. the proposed branch is not generally accessible to the public,
 - b. establishing the branch will oversaturate the proposed location with financial institutions, or
 - c. the credit union does not have a record of complying with community reinvestment requirements; or
 4. for an out-of-state branch, the other state's laws do not authorize the branch's establishment.

As long as it does not violate these provisions, the bill allows a Connecticut credit union to establish or operate a branch in the same or approximately the same location as another federally insured financial institution. The bill also allows the commissioner to examine and supervise a Connecticut credit union's out-of-state branches, and enter into agreements with other state or federal credit union regulators for this examination and supervision.

If a Connecticut credit union wants to close a branch inside or outside of Connecticut, the bill requires it to notify the commissioner as soon as possible but at least 30 days before the closing date. The notice must include a detailed statement of the credit union's reasons for closing the branch. It requires the credit union to notify its members of the proposed closing by (1) conspicuously posting the notice at the branch at least 30 days before the closing and (2) including the notice in at least one regular account statement it mails to its members who use the branch, or in a separate mailing to those members at least 30 days before the closing date.

If the commissioner approves, the bill allows any Connecticut credit union to relocate a branch in the state in accordance with the commissioner's notice and other requirements. It defines "relocating" as moving within the same immediate neighborhood without substantially affecting the nature of the business or members served.

Main Offices

The bill allows a Connecticut credit union, with the commissioner's approval, to relocate its main office anywhere in the state. It requires the commissioner, before granting approval, to consider: (1) the field of membership the Connecticut credit union's proposed relocation would serve; (2) the adequacy of the credit union's current main office; (3) the

economic need for, and cost of, the proposed relocation; and (4) the proposed relocation's convenience and necessity to the field of membership.

OUT-OF-STATE CREDIT UNIONS (§ 64)

Current law allows out-of-state, state-chartered credit unions to establish branches in Connecticut. The bill allows the commissioner to disapprove establishing a branch for the same reasons he can disapprove establishing a Connecticut credit union's new branch. It allows an out-of-state, state-chartered credit union with a branch in Connecticut to, with the commissioner's approval, establish additional branches in the state. It also allows an out-of-state, federally-chartered credit union, with prior written notice to the commissioner, to establish a branch or additional branches in Connecticut, and allows a federal credit union, with prior written notice, to establish additional branches.

MERGERS (§ 67)

Conditions

The bill significantly revises the current law under which a Connecticut credit union, with the commissioner's permission, may merge with a Connecticut, federal, or out-of-state credit union. It sets the following conditions on mergers with out-of-state and federal credit unions:

1. When a merger results in an out-of-state state-chartered credit union, the bill prohibits the commissioner from approving the merger unless the out-of-state credit union has share insurance as the Federal Credit Union Act requires and its chartering state's laws authorize the merger under conditions no more restrictive than do Connecticut's laws.
2. Federal and out-of-state federally-chartered credit unions proposing to merge with a Connecticut credit union must show the commissioner they comply with all federal laws.
3. Any out-of-state credit union proposing a merger must show the commissioner it complies with its chartering state's laws governing the merger and any additional information he requires.

Plans and Application

Current law requires the governing boards of the credit unions proposing to merge to adopt a merger plan by majority vote. The bill requires this merger plan to name the merging credit unions, the resulting credit union, and the proposed merger's terms and conditions, including the resulting credit union's field of membership. The boards must (1) enter into a merger agreement; (2) file an application with the commissioner; and (3) for a terminating Connecticut credit union, submit the merger plan to its members for a vote.

The application must include (1) the merger plan and each governing board's minutes adopting the plan; (2) the merger agreement; (3) an original proposed certificate of incorporation and proposed amended bylaws, if applicable; (4) financial statements of the merging credit unions and a pro forma financial statement for the resulting institution; (5) for a terminating Connecticut credit union, a proposed written notice to its members of the time, date, and place of the meeting to vote on the merger and a proposed form of any ballot or proxy; (6) information addressing the items the commissioner must consider before approving; and (7) any additional information the commissioner requires.

Approval

The bill prohibits the commissioner from approving a merger unless he considers whether (1) the merging credit unions have engaged in any unsafe or unsound practice during the one-year period before they filed their application; (2) the resulting credit union will be adequately capitalized; (3) the resulting credit union will have the managerial capability and financial resources to serve its proposed membership; (4) the proposed merger will substantially lessen competition in the Connecticut credit union industry; and (5) the proposed merger will benefit the proposed membership's convenience and needs. It allows the commissioner to approval the merger if he is satisfied the conditions are met, and include in his approval terms and conditions as he sees fit.

After the commissioner approves the merger, the bill requires the resulting credit union to file a copy of its merger agreement, merger plan, certificate of amendment to its certificate of incorporation, if any,

and the commissioner's approval in the Secretary of the State's Office. Within 10 days after filing, it must also file copies of these documents with the commissioner, and a copy of its amended bylaws, if the resulting institution is a Connecticut credit union.

On the effective date, the bill indicates that (1) the merged parties' corporate existence is continued by and in the resulting credit union; (2) both parties' assets, business, good will, and franchises are vested in the resulting credit union without any deed, endorsement, or other instrument of transfer; and (3) the resulting credit union assumes all of the merged parties' debts, obligations, and liabilities.

CONVERSIONS (§§ 68, 69)

Connecticut Credit Union into Federal Credit Union

Current law allows a Connecticut credit union, with the commissioner's approval, to convert into a federal or out-of-state credit union. The bill limits conversion to Connecticut credit unions that have existed and continuously operated for at least five years, and only into a federal credit union.

Current law requires the governing board to adopt the conversion proposal by a majority vote, and establish the time and date of a regular or special meeting for the members to vote on it. The bill requires the Connecticut credit union proposing to convert to file an application with the commissioner, including: (1) the conversion plan adopted by a majority vote of the governing board and a copy of its resolution adopting the plan; (2) a proposed written notice of the date, time, and place of a regular or special meeting for the members to vote on the conversion, including a proposed form of any proxy or mail ballot; (3) proof of compliance with all applicable federal laws governing the conversion; and (4) any additional information the commissioner requires. The bill requires the commissioner to approve a conversion if he determines that the converting credit union has complied with all of the requirements.

Current law requires the converting Connecticut credit union promptly to take any action necessary to make it a federal credit union, and in any case no more than 90 days after the member vote approving conversion. Within 10 days after the Connecticut credit union receives the document evidencing the federal credit union's organization, it

must file a copy of its federal charter with the commissioner. The bill makes this no more than 90 days after receiving the commissioner's approval. And, within 10 days after the converting Connecticut credit union receives a federal credit union charter and certificate of insurance, the bill requires it to file copies of them with the commissioner.

Federal or Out-of-State Credit Union into Connecticut Credit Union (§ 69)

Current law allows federal and out-of-state credit unions to convert into Connecticut credit unions by complying with federal or state conversion requirements and filing proof of compliance and an application with the commissioner. The bill requires the application to include: (1) a plan of conversion and copy of the governing board's resolution adopting the plan; (2) a three-year business plan, including pro forma financial statements; (3) a copy of the proposed certificate of incorporation, signed by the proposed directors, and a copy of the proposed bylaws; (4) information addressing the items the commissioner must consider about the proposed credit union's suitability; and (5) any additional information he requires.

Current law allows the commissioner to issue an approval of conversion and a certificate of authority when he is satisfied that the proposed credit union has complied with all requirements. The bill requires him first to determine that (1) the conversion would serve the proposed membership's economic needs and is in accordance with sound credit union practices, (2) the converting credit union will have the managerial capacity and financial resources to serve its members, and (3) the converting credit union has sufficient net worth to meet all applicable regulatory requirements.

The bill requires the converting credit union to promptly file and record the commissioner's approval and its certificates of incorporation and authority with the secretary of the state. Currently the commissioner does this filing. As under current law, when these are filed and recorded, the bill considers the federal or out-of-state credit union to be a Connecticut credit union on the date it ceases to be a federal or out-of-state credit union. Within 10 days of filing, it requires the converted credit union to file copies with the commissioner.

***Connecticut or Federal Credit Union to Mutual Connecticut Bank
(§ 70)***

Current law allows Connecticut and federal credit unions to convert into a mutual savings bank, mutual savings and loan association, or mutual community bank. The bill removes a requirement that the proposed conversion plan the converting credit union files with the commissioner include a provision prohibiting a converted mutual Connecticut bank from paying its directors any expenses or fees, or entering into any agreements with directors or their affiliates to provide it with products or services, for at least two years after the conversion's effective date.

Current law also requires a converting Connecticut credit union's governing board, after approving the conversion plan, to send to members (1) notice of a meeting to vote on the proposal, (2) a mail ballot, and (3) a disclosure statement. The bill requires the disclosure statement to include, at a minimum, a description of the (1) reasons for the proposed conversion, (2) differences between membership rights in the converting credit union and depositor rights in the proposed mutual financial institution, and (3) significant differences between the converting credit union's authorized powers and those of the proposed mutual financial institution.

Converted Credit Union Powers

The bill specifies that a converted federal or Connecticut credit union possesses all rights, privileges, and powers as its federal charter or state certificate of authority, as applicable, grants, and the converting institution's assets, business, and good will are transferred to and vested in it without any deed or instrument of conveyance, unless the converting credit union wishes to execute an instrument to confirm the transfer. It subjects the converted credit union to all of the converting credit union's duties, relations, obligations, trusts, and liabilities, whether as debtor, depository, registrar, transfer agent, executor, administrator, or otherwise, and makes it liable to pay and discharge all the debts and liabilities, perform all the duties, and administer all the trusts as though the converted credit union had incurred the liability or assumed the duty itself. The bill preserves all of the converting credit union's creditors' rights and all liens against its property, and allows the credit union to receive, accept, collect, hold, and enjoy all gifts, bequests, devises, conveyances, trusts, and

appointments in its name or favor, whether they were meant to take effect before or after the conversion.

DISSOLUTION (§ 71)

The bill modifies the procedures for a Connecticut credit union to terminate its corporate existence and be dissolved. Under current law, within three days after a majority of the governing board has adopted a plan to dissolve the credit union, the board must file a copy of the plan with the commissioner and inform him of the date when the members will vote on it. The bill requires the credit union's chairman or vice chairman and secretary or treasurer to attest to the copy of the dissolution plan filed with the commissioner.

The bill also dictates that the dissolution plan be approved at an annual or special meeting of the credit union's members. It requires written notice of the date, time, and place of the meeting to be hand-delivered or mailed to all members at their last-known address, as shown on the credit union's records, no more than 30 nor less than seven days before the vote. The notice must clearly describe the plan and the reasons for it and notify each member of his right to vote on the plan in person, by proxy, or by mail ballot, and include an official form of proxy or mail ballot. The bill reduces the number of members needed to approve the proposal from two-thirds to a majority of members voting.

When the commissioner receives the vote result statement, current law allows him to apply to the Superior Court of Hartford or the town where the credit union is located to appoint a receiver. The bill allows him to apply only to the Hartford Superior Court. The bill eliminates the commissioner's ability to terminate the Connecticut credit union's corporate existence by certifying, in writing, that no other reasonable alternatives are available to protect the credit union's members and creditors. Instead, it allows him to ask for a conservator or receiver to be appointed, in the same way as he can for a bank. The bill also allows him to have a conservator or receiver appointed (1) for the reasons current law allows him to terminate the credit union's corporate existence and (2) for any of the reasons current law allows him to apply for a receiver or conservator for banks.

RESTRAINING ORDERS AND INJUNCTIONS

Notice of a Temporary Restraining Order (§ 10)

The bill expands the current delivery requirements to require the commissioner to hand-deliver a copy of the restraining order to the bank, credit union, or credit union service organization's president, chief executive officer, secretary, treasurer, manager, or general partner, as appropriate for each institution. Current law requires him only to leave the order with a bank's secretary, treasurer, or cashier. The bill allows these executives to waive the notice. The bill also extends to credit unions and credit union service organizations reasonable notice before a court issues a restraining order, and it deems notice to the institution's executives as sufficient notice to the institution itself.

Courts' Authority Over Injunction Application (§ 11)

The bill allows the commissioner to apply for an injunction, receiver, or conservator in the case of (1) a forfeited certificate of authority of a Connecticut or out-of-state credit union; (2) a credit union's fraud, unsafe business practices, asset dissipation, or insolvency; or (3) termination of NCUA insurance. Current law allows the court to (1) grant an injunction or appoint a receiver or both or (2) appoint a conservator. The bill allows the commissioner to apply for an injunction in the superior court for the judicial district of Hartford or the judicial district where the credit union's main office is located. The bill allows the court to declare a Connecticut credit union's certificate of authority null and void after giving reasonable notice to the credit union. The law already allows it to nullify a Connecticut bank's charter.

Receivers and Conservators (§§ 12, 13, 14, 15, 16, 17, 18, 20)

The bill applies provisions of current banking law regarding receivers, receivership, and insolvency to Connecticut credit unions. If a court decides to name a receiver or conservator for a credit union, the bill requires it to name the commissioner. But the bill allows the commissioner to request that the NCUA be named receiver in his place. It also allows him to put credit unions into the Department of Banking division that liquidates and administers the affairs of banks. The bill requires the receiver to place the Connecticut credit union in liquidation. It requires the conservator to carry on the credit union's business, preserve and conserve its assets and property, and put it in a

safe and sound condition. The bill also authorizes such additional procedures for receivers and conservators as current law allows for Connecticut banks.

The bill prohibits any member of a credit union's senior management, or a director or officer from (1) acting on the credit union's behalf, (2) conveying, transferring, assigning, pledging, mortgaging, or encumbering any of its assets, (3) creating any lien on it, or (4) preferring any of its share account holders or creditors, and declares any such act void. It allows the commissioner or receiver to terminate the credit union's executory contracts and lessee obligations within six months of the receiver's appointment. It also allows share account holders to submit plans to refinance or reorganize the credit union, as current law allows depositors, shareholders, and creditors to do for banks.

The bill prohibits a claim in favor of a Connecticut credit union in receivership that was not time-barred at the time the receiver citation was served on the credit union from being barred against the receiver in a suit to recover the claim, brought by the receiver in his own or the credit union's name.

Liquidation, Subrogation, and Disposition (§§ 25, 26, 27)

Current law directs the distribution sequence of a liquidated Connecticut credit union's assets or the proceeds from their disposition. The bill adds specific provisions for liquidating corporate and low-income credit unions to that list: (1) for a corporate Connecticut credit union, membership and then paid-in capital and (2) for a Connecticut credit union the NCUA designates as low-income, any outstanding secondary capital accounts. The bill also specifies that when a Connecticut credit union's assets and their proceeds are insufficient to pay the total amount due each claimant in a particular class, they must be distributed to each claimant in the class on a pro rata basis.

If the NCUA pays a closed Connecticut credit union's insured account liabilities, the bill requires the NCUA to be subrogated to the share account owners' rights against the credit union just the same as it is in the closing of a federal credit union. The bill also requires the Connecticut credit union to forfeit its certificate of authority after the funds are properly distributed if the court has not approved any

refinancing or reorganization plan.

PLEDGE OF SHARE ACCOUNT (§ 28)

The bill allows any named share account holder to pledge his interest in a Connecticut credit union account to another person without the consent of any other named owner, unless the share contract says the account is nontransferable or otherwise limits pledge rights. But the bill does not allow pledging of (1) a share account subject to negotiable orders of withdrawal or (2) a time account. Current law limits the effectiveness of a bank deposit account pledge to the account's named owners, their executors, or administrators only, unless the pledger recorded a different intent on the bank's books or filed with it a copy of such order. The bill applies this provision to credit unions, and also allows a pledge to be effective against a bank deposit or credit union account's receivers or custodians. The bill requires a lien against the pledgee's account until full loan repayment if the pledgee makes a loan based on the pledge of a savings account. It allows the Connecticut credit union maintaining the share account to be a pledgee.

ADVERSE CLAIM TO SHARE ACCOUNT (§ 30)

The bill applies to credit union share accounts the current law regarding adverse claims to money in a bank account. It prohibits a Connecticut or federal credit union from recognizing an adverse claimant's demand for money from a share account holder's account held in Connecticut unless the claimant either (1) gets a restraining order, injunction, or other process against the credit union in which the account holder or his executor, administrator, receiver, custodian, legal representative or heir is made a party and served with summons or (2) executes a bond indemnifying the credit union from any liability, damage, costs, or expenses for paying the claim. But the bill says these prohibitions do not apply if the share account holder is the claimant's fiduciary and the claimant presents an affidavit showing his reasonable belief that the fiduciary is about to misappropriate the share account funds. The bill also adds a bank account holder's receiver or custodian to the list of people whom an adverse claimant to a bank account may make a party and serve with summons.

SHARE ACCOUNT HOLDERS AND PASSBOOKS (§§ 31, 32, 33)

The bill makes Connecticut credit union passbooks, certificates,

instruments, and statements subject to the same laws that apply to banks. If a share account document is lost, stolen, or destroyed, the bill allows the person or people holding the account to apply to the credit union for payment of the account balance or issuance of a duplicate document. The bill specifies that the credit union's liability for the original document ends upon payment or reissuance. It makes everything in a statement or passbook valid, unless the account holder files an action against the credit union claiming inaccuracy or incompleteness within seven years after delivery.

The bill also allows minors to establish Connecticut or federal credit union share accounts as owners, joint owners, co-owners, or beneficiaries.

COMMISSIONER'S AUTHORITY OVER BANKS AND CREDIT UNIONS (§§ 3, 4, 9, 10)

The bill extends the banking commissioner's current authority over banks to the following activities and other entities, as indicated:

1. electronic data processing services (Connecticut credit unions and credit union service organizations) (§ 3);
2. liability for violating banking laws (credit union service organizations and their officers, directors, managers, or general partners) (§ 4);
3. limit withdrawals from institutions in financial distress (Connecticut credit unions) (§ 9);
4. issue a temporary restraining order preventing institutions from distributing or receiving money (Connecticut credit unions, Connecticut credit union service organizations, and out-of-state credit unions with branches in Connecticut) (§ 10) ;
5. appoint a conservator (Connecticut credit unions and Connecticut credit union service organizations) (§ 10);
6. issue a restraining order to prevent an institution from paying out dividends or other funds until the court deems it necessary (credit unions and Connecticut credit union service organizations) (§ 10).

Stipulations and Agreements (§§ 5, 6)

If the banking commissioner conducts an examination or investigation and finds that a Connecticut bank, credit union, or credit union service

organization: (1) did not file a report when it was due; (2) is insolvent; (3) violated any banking statute, regulation, rule, or order; or (4) is or has been participating in unsafe and unsound practices, the bill allows him to enter into (1) stipulations and agreements or memoranda of understanding with a Connecticut bank, either alone or with the Federal Deposit Insurance Corporation (FDIC), or (2) letters of understanding and agreement or memoranda of understanding with a Connecticut credit union or Connecticut credit union service organization, either alone or with the National Credit Union Administration.

Banking Department Assessments and Examination Fees

The bill gives new Connecticut credit unions three full calendar years after the commissioner issues their certificates of authority before he may collect pro rata annual payments to meet Department of Banking expenses. It also gives the commissioner discretion to reduce a credit union's payment by the amount it paid in another state.

Information Disclosure (§§ 7, 8)

The bill removes current law's express permission for Connecticut credit unions to disclose member information to shared service centers members use to complete a transaction with the credit union. But it allows financial institutions to disclose customer records to insurance companies to conduct risk assessment relating to surety bonds and fraud investigations.

BACKGROUND

Legislative History

On March 28, the House referred the bill to the Insurance and Real Estate Committee, which reported it unchanged on April 4. On April 10, the House referred the bill to the Judiciary Committee, which reported it without change on April 15.

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 16 Nay 1

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 13 Nay 0

Judiciary Committee

Joint Favorable Substitute

Yea 34 Nay 2